

EVIDENCE GATHERED FOR THE  
REPORT  
of  
THE ROYAL COMMISSION  
APPOINTED TO INQUIRE INTO  
THE FAILURE  
of  
ATLANTIC ACCEPTANCE CORPORATION  
LIMITED

PETER W. MCHUGH  
SPECIAL EXAMINER  
*Chartered Shorthand Reporter*  
TORONTO - 364-4068

EXAMINATION OF C.P. MORGAN  
Date of interview: January 26, 1966  
Exhibit Number: 3674

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ROYAL COMMISSION  
ON  
ATLANTIC ACCEPTANCE CORPORATION LIMITED  
EXHIBIT No. 3674  
PER Mc 17 1.67  
REGISTRAR DATE

Royal Commission on Atlantic Acceptance Corporation,

454 University Avenue, Toronto.



ONTARIO

In The SUPREME Court Of ONTARIO

IN BANKRUPTCY

~~BETWEEN:~~

IN THE MATTER OF THE BANKRUPTCY OF  
ASSOCIATED CANADIAN HOLDINGS LIMITED,  
of the City of Toronto, County of York,  
Province of Ontario. ~~3674~~ plaintiff

~~AND~~

~~defendant~~

EXAMINATION OF

C. P. MORGAN

- ☐ FOR DISCOVERY
- ☐ ON AFFIDAVIT
- ☐ AS JUDGMENT DEBTOR
- ☐ DE BENE ESSE

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January 26th,

19 66.

ROYAL COMMISSION

ON

ATLANTIC ACCEPTANCE CORPORATION LIMITED

EXHIBIT No. 3674

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17 1. 67 DATE

Royal Commission on Atlantic Acceptance Corporation,

454 University Avenue, Toronto.

JP:sp 1

IN THE SUPREME COURT OF ONTARIO

2

IN BANKRUPTCY

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IN THE MATTER OF THE BANKRUPTCY OF ASSOCIATED  
CANADIAN HOLDINGS LIMITED, of the City of  
Toronto, County of York, Province of Ontario.

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This is the examination of CAMPBELL

12

POWELL MORGAN, under Section 121 of the Bankruptcy Act,

13

taken in shorthand before Peter W. McHugh, C.S.R.,

14

Special Examiner, at his Chambers suite 302 the Victory

15

Building, 30 Richmond Street West, Toronto, Ontario, on

16

the 26th day of January, 1966.

17

18

APPEARANCES:

19

D.E. BAIRD, ESQ.,

for the Trustee.

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CAMPBELL POWELL MORGAN, sworn.

BY MR. BAIRD:

1 Q. Mr. Morgan, what is your full name?

2 A. Campbell Powell Morgan.

3 Q. Were you a shareholder of Associated  
4 Canadian Holdings Limited?

5 A. I was.

6 Q. What was the purpose for the incorpora-  
7 tion of Associated Canadian Holdings Limited?

8 A. It was incorporated as a holding company  
9 with diversified interest primarily to retain  
10 control for as long as possible of the shares of  
11 Commodore Business Machines (Canada) Limited.

12 Q. Why would the incorporation of this  
13 company allow you to retain control of the  
14 shares of Commodore Business Machines?

15 A. Well, at the time the people went  
16 into Associated Canadian Holdings Limited  
17 represented -- I am not certain whether they  
18 represented majority control, but they  
19 represented substantial control of Commodore  
20 Business Machines.

21 Q. How would the incorporation of this  
22 company allow this control to be maintained?

23 A. In other words, by making this company  
24 into a holding company and the shares of  
25



1 Commodore Business Machines were put into  
2 Associated in return for common shares and  
3 preferred shares of Associated. This would  
4 mean that Associated would have a large block  
5 of Commodore stock. This block, at the time  
6 of its incorporation, represented control of  
7 the Board and the affairs of Commodore Business  
8 Machines.

9 6 Q. So it would appear to be transferring  
10 control from the individual persons who owned  
11 the shares of Commodore Business Machines to  
12 Associated Canadian Holdings Limited?

13 A. That's right.

14 7 Q. And the same people would then control  
15 Associated Canadian Holdings Limited?

16 A. Well, there were a number of individuals  
17 who were not active in any way in the business of  
18 either Associated or Commodore and those persons  
19 had agreed to put their shares into Associated.  
20 By having this block of stock in Associated,  
21 this would mean control of the affairs of  
22 Commodore Business Machines.

23 8 Q. The minute book of Associated Canadian  
24 Holdings Limited contains some minutes of meeting  
25 of the Board of Directors of Associated Canadian  
26 Holdings Limited held on February 13th, 1964.  
27 The minutes record that a resolution was passed  
28 whereby one common share and one-half preference  
29 share of Associated Canadian Holdings Limited  
30

1 were to be issued in turn for the transfer of  
2 one common share of Commodore Business Machines  
3 (Canada) Limited to Associated Canadian Holdings  
4 Limited. Were you aware of this arrangement?

5 A. Yes, because I turned in my shares of  
6 Commodore for those common shares and preferred  
7 shares of Associated which shares I still hold.

8 Q. I would like to show you the minutes  
9 of this meeting which will be Exhibit 1 to this  
10 examination and refer you to the list of the  
11 persons to whom preference shares and common  
12 shares of Associated Canadian Holdings Limited  
13 were to be issued. This included the name  
14 C. Powell Morgan and Mildred Morgan. The  
15 minutes indicate that you would have turned over  
16 52,237 shares of Commodore Business Machines  
17 (Canada) Limited to Associated Canadian Holdings  
18 Limited in return for 26,118 preference shares  
19 and 52,237 common shares of Associated Canadian  
20 Holdings Limited. Is that correct?

21 A. That is correct. I have those certifi-  
22 cates in my possession.

23 10 Q. You have the certificates referred to  
24 in the minutes in your possession?

25 A. That's right.

26 11 Q. Does this also apply to your wife,  
27 Mildred Morgan?

28 A. Yes.

29 12 Q. Did she receive 7500 preference shares  
30



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TORONTO

1 of Associated Canadian Holdings Limited and  
2 15,000 common shares?

3 A. She did.

4 13 Q. Did she transfer 15,000 common shares  
5 of Commodore Business Machines (Canada) Limited  
6 to Associated Canadian Holdings Limited?

7 A. She did.

8 14 Q. Did you transfer 52,237 common share  
9 of Commodore Business Machines to Associated  
10 Canadian Holdings Limited?

11 A. I did.

12 15 Q. What were the mechanics of this transfer?  
13 Where were the shares at this time before they  
14 were transferred into the name of Associated  
15 Canadian Holdings Limited?

16 A. They were coming out of -- I don't  
17 know the exact dates, but I think they were  
18 coming out of escrow or had just come out of  
19 escrow and they were on deposit with the trust  
20 company or they were in our own personal  
21 possession at that time.

22  
23 ---EXHIBIT NO. 1: Minutes of meeting of Board of Directors  
24 held February 13th, 1964.

25  
26 BY MR. BAIRD:

27 16 Q. Mr. Morgan, I would like to show you  
28 a handwritten summary which will be Exhibit 2  
29 in this examination. Would you examine this  
30 summary and tell me if you prepared it?

1 A. This is in my handwriting.

2 17 Q. What did the summary mean?

3 A. This appears to be a summary of the  
4 holdings, the shareholdings of the company --  
5 that is Commodore stock -- at the time that  
6 those transactions you are talking about was  
7 entered into the records of Associated Canadian  
8 Holdings Limited.

9  
10 ---EXHIBIT NO. 2: Handwritten summary above referred to.

11  
12 BY MR. BAIRD:

13 18 Q. Was this a record of where the shares  
14 of Commodore Business Machines (Canada) Limited  
15 were before they were transferred to Associated  
16 Canadian Holdings Limited?

17 A. It would appear to be, yes.

18 19 Q. There are headings M. Kapp, then there  
19 is Pref. Does that mean preferred?

20 A. Yes.

21 20 Q. Com. means common, and does that read  
22 "In whose possession?"

23 A. That's right.

24 21 Q. Does that mean the person---

25 A. Where they were at that particular  
26 time. In other words, Mr. Tranter and myself  
27 sat down and made a summary of where the stock  
28 was in order to get this transferred into  
29 Associated.



1 22 Q. What does M.K. represent?

2 A. I would think that represents Manny  
3 Kapp.

4 23 Q. Does that mean Manny Kapp held 49,349  
5 shares of Commodore Business Machines?

6 A. He had all of those.

7 24 Q. There are various initials opposite  
8 each of the numbers?

9 A. That M. K. means Kapp and B.G. is  
10 Barrett, Goodfellow.

11 25 Q. Does that mean there were 24,674  
12 shares in the possession of Barrett, Goodfellow?

13 A Yes.

14 26 Q. And then there is an item 1937 which  
15 is circled. What does the fact it is circled  
16 mean? Why was it circled?

17 A. Those have been -- I was trying to  
18 remember. I would think this is stock that had  
19 been sold by them that was not going to go into  
20 Associated.

21 27 Q. If you deduct the amount that is  
22 circled, you arrive at a closer figure to the  
23 amount actually shown to be put into Associated  
24 Canadian Holdings Limited. If you deduct the  
25 1,937 from your total of 89,293, you arrive  
26 at 87,356 and Mr. Kapp is shown to have received  
27 credit for 84,356, a difference of 3,000 shares?

28 A. That is -- those 3,000 which apparently  
29 went to a fellow by name of Edelstein.

1 28 Q. Therefore he was not entitled ---

2 A. He didn't put them in.

3 29 Q He didn't put it into Associated Canadian  
4 Holdings Limited?

5 A. No.

6 30 Q. What are the initials H.W. What does  
7 that represent?

8 A. That is Harry Wagman.

9 31 Q. To which of the numbers of shares  
10 does H.W. refer?

11 A. 1,937 with the circle.

12 32 Q. Can you tell me from this memorandum  
13 where the 13,333 shares were?

14 A. They were part of this transaction  
15 in connection with Bill Streit.

16 33 Q. You are referring to a notation on  
17 the second page where it says W. Streit?

18 A. Right.

19 34 Q. And you have a number 3 here on the  
20 first page under 13,333 and Mr. M. Kapp and you  
21 have the number 3 under the W. Streit?

22 A. That's correct.

23 35 Q. Are those the same shares?

24 A. The same shares. In other words,  
25 the shares which were purchased from Streit  
26 were re-located to the people in the ratio that  
27 the small members were shown as I recall, under  
28 W. Streit's name.

29 36 Q. Why were the shares purchased from  
30



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1 Mr. Streit, or shown as being belonging to  
2 Mr Kapp?

3 . That was his proportion of the trans-  
4 action.

5 37 Q. I understand there were originally  
6 70,000 shares purchased from Mr. Streit and  
7 7,000 were transferred into the names of  
8 individuals not referred to in the minutes,  
9 and there was a balance of 63,000?

10 A. Which were still in escrow and that  
11 is the re-distribution of that 63,000.

12 38 Q. Why was Mr. Kapp entitled to a portion  
13 of the 63,000 shares?

14 A. Why was he?

15 39 Q. Yes?

16 A. Because when I purchased the shares  
17 from Mr. Streit, it was agreed that they would  
18 be divided amongst those individuals.

19 40 Q. You have an apportionment here of the  
20 63,000 shares apportioned into five amounts.  
21 For my cross-reference, I understand 15,000  
22 are shown belonging to Mr. Wagnan, 15,000 to  
23 Mr. William Walton, and 13,333 to Mr. Kapp,  
24 13,333 to Mr. Jack Traniel, and 6,334 are  
25 recorded under your name. Is that correct?

26 A. That's correct.

27 41 Q. Did Mr. Kapp pay you for these shares?

28 A. I think eventually he did pay for them.  
29 I am not certain.

1 42 Q. Do you know how he paid for them?

2 A. You will have to check with Wagon  
3 who looked - whoever looked after the books  
4 of Associated to make certain this was paid.  
5 I do know Mr. Tramiel and Mr. Kapp had promised  
6 to pay for those shares. Whether or not they  
7 eventually did in settlement, I don't know. I  
8 lost control over Associated about that time and  
9 I have seen or had no particular dealings with  
10 the corporation for the past year.

11 43 Q. Did Mr. Kapp ever pay you personally  
12 for those shares?

13 A. Oh no.

14 44 Q. Did Mr. Tramiel ever pay you for the  
15 13,333 shares shown to his credit?

16 A. No, he did not.

17 45 Q. Do you know if he paid Associated  
18 Canadian Holdings Limited or anyone else for  
19 those shares?

20 A. Same answer as I gave in connection  
21 with Mr. Kapp.

22 46 Q. Did Mr. Wagon pay you for the 15,000  
23 shares to his credit?

24 A. Yes, he did.

25 47 Q. Did he pay you personally?

26 A. Yes, he did.

27 48 Q. How much did he pay you?

28 A. I am not certain but I think it was  
29 in the neighbourhood of \$1.00 a share.

30



1 49 Q. Why did he pay you personally for  
2 the shares?

3 A. Because I laid out the money for it.

4 50 Q. Did Mr. Walton pay you for the 15,000  
5 shares?

6 A. Well, the same answer for Mr. Walton, yes.

7 51 Q. He paid you personally \$15,000.00?

8 A. That's right.

9 52 Q. I have questioned Mr. Wagman concerning  
10 the purchase of the shares and he said he has  
11 no recollection of ever having paid you for the  
12 shares. He has stated in his examination that  
13 he was allotted 15,000 shares of which he was  
14 supposed to get some free, and some he was to  
15 pay a dollar for.

16 A. Well, as far as I am concerned he paid  
17 for them. I can't be certain that he paid them  
18 in actual cash. It was settled for that, or  
19 services rendered, but the dollar was the right  
20 figure.

21 53 Q. I asked him specifically --  
22 "Did you pay for any of them?"

23 A. No."

24 He also, when I asked him -- I questioned Mr.  
25 Wagman as to whether he rendered services to  
26 you. I asked him

27 "For whom were the services rendered?"

28 A. Well, it would be for him. He  
29 thought I was entitled to extra shares.  
30

1 I didn't even question him why. He  
2 said, 'Listen, I am giving them to you.  
3 I feel you are entitled to them.' In  
4 fact, we didn't even designate how many  
5 I was supposed to get. I don't recall.

6 Q. You didn't apportion what were to  
7 be free and what were to be paid for?

8 A. No.

9 Q. Did you pay for any of them?

10 A. No---"

11 Is this true?

12 A. I would have to read that again.

13 94 Q. I asked him specifically -

14 "Did you pay for any of them?

15 A. No.

16 He also, when I asked him -- I question Mr  
17 Wagnan as to whether he rendered services to  
18 you. I asked him

19 "For whom were the services rendered?

20 A. Well, it would be for him. He  
21 thought I was entitled to extra shares.  
22 I didn't even question him why. He  
23 said 'Listen, I am giving them to you.  
24 I feel you are entitled to them.' In  
25 fact, we didn't even designate how many  
26 I was supposed to get. I don't recall.

27 Q. You didn't apportion what was to  
28 be free and what were to be paid for?

29 A. No.  
30

1 Q. Did you pay for any of them?

2 A. No ----"

3 A. I think he did pay for them, the  
4 13,333 and the extra amount to bring it up to  
5 15,000 and the same for Mr. Walton. It was for  
6 work they had done in connection with Associated  
7 Canadian Holdings and other matters.

8 55 Q. Mr. Morgan, referring back to the  
9 statement, Exhibit Number 2, under E.Kapp, there  
10 are shown 3900 shares and the initials B.M. & T.  
11 What does that mean?

12 A. British Mortgage & Trust.

13 56 Q. Were those shares with British Mortgage  
14 & Trust at the time you prepared this list?

15 A. They were.

16 57 Q. Why were they with British Mortgage &  
17 Trust?

18 A. I think they were there for additional  
19 security for some loans the directors had  
20 borrowed in connection with debentures. I  
21 think there were some 40,000 shares.

22 58 Q. I am advised in May 1963, 42,725 shares  
23 were lodged with British Mortgage & Trust as  
24 security for loans, a loan of \$500,000.00 made  
25 to Carman G. King, Douglas Annett, C. Powell  
26 Morgan, Manfred Kapp, Harry Wagon, and William  
27 L. Walton?

28 A. That is the 40,000 shares I was  
29 referring to.  
30

1 59 Q. Why would shares registered in the  
2 name of E. Kapp be lodged with British Mortgage  
3 & Trust when she did not borrow any money from  
4 British Mortgage & Trust?

5 A. Those shares were endorsed by her  
6 and were turned in to Associated and were part  
7 and belonged to Associated, and Associated had  
8 given their common shares and their preferred  
9 shares for it.

10 60 Q. But those shares were lodged with the  
11 British Mortgage & Trust Company before Associated  
12 Canadian Holdings Limited was incorporated?

13 A. That is quite possible.

14 61 Q. So how could they have been turned over  
15 to Associated Canadian Holdings Limited when  
16 they were in the possession of British Mortgage  
17 & Trust Company prior to the incorporation of  
18 Associated Canadian Holdings Limited?

19 A. I don't follow that.

20 62 Q. Those shares were registered in the  
21 name of British Mortgage & Trust Company in  
22 May 1963?

23 A. They weren't ever registered in the  
24 name of British Mortgage & Trust, those shares.

25 63 Q. You are referring to the 42,725 shares?

26 A. Right. They were deposited with the  
27 British Mortgage & Trust Company as collateral  
28 to these loans. The original number of shares --  
29 where they came from, or in whose name they  
30

1 were originally, were, I think, as indicated  
2 on my schedule there.

3 64 Q. I would like to go down your schedule  
4 where you show 3900 shares being credited to  
5 E. Kapp, and then we show 24,675 shares being  
6 credited to J. Tramiel being in the possession  
7 of British Mortgage & Trust Company. Is that  
8 correct?

9 A. That's correct as far as where it came  
10 from originally, yes.

11 65 Q. We show H. Tramiel 3900 shares in the  
12 possession of British Mortgage & Trust Company?

13 A. Yes.

14 66 Q. We show B. Silberman 2700 shares in  
15 the possession of British Mortgage & Trust  
16 Company?

17 A. Right.

18 67 Q. And R. Silberman 5500 shares in the  
19 possession of British Mortgage & Trust Company.  
20 There appears to have been an additional 2,000  
21 shares of Commodore Business Machines lodged  
22 with British Mortgage & Trust Company. Can you  
23 tell me where those shares came from? I can  
24 find no record of those shares on the memorandum  
25 which you have prepared.

26 A. I can't recall it. In any event, a  
27 memorandum is only an indication of who are  
28 the people originally who had the stock. That  
29 memorandum is only a record of where the stock  
30



1 was issued in its original form and the fact it  
2 was transferred out of the individual's names  
3 into British Mortgage & Trust was done obviously  
4 with the endorsement of the people concerned.

5 63 Q. But do you know where the additional  
6 2,000 shares came from?

7 A. I do not.

8 69 Q. Did you arrange for this loan to be  
9 made by British Mortgage & Trust Company to the  
10 persons I have mentioned?

11 A. I was a party to it, Mr. Tramiel and  
12 Mr. Gregory made the loans to the individual  
13 directors and it was through his, I guess, his  
14 influence that the loan was made.

15 70 Q. Did you negotiate this loan?

16 A. Mr. Tramiel and I and Mr. Gregory did.

17 71 Q. What was the purpose of the loan?

18 A. To put money into Commodore.

19 72 Q. You are referring to Commodore Business  
20 Machines (Canada) Limited?

21 A. Yes.

22 73 Q. Did you receive the money, or was  
23 the money paid directly by British Mortgage &  
24 Trust Company to Commodore Business Machines  
25 (Canada) Limited?

26 A. It was paid directly to the individual  
27 directors and then paid into the company and the  
28 company received all the money because the  
29 debentures were issued by the company to the  
30

1 directors and the directors assigned those  
2 debentures to British Mortgage & Trust.

3 74 Q. In this list, you have schedule which  
4 is Exhibit 2, you have shown Mr. Walton entitled  
5 to 15,000 shares and on the minutes of meeting  
6 there is no record of Mr. Walton receiving any  
7 shares of Associated Canadian Holdings Limited?

8 A. I want to make it clear that this  
9 memorandum referred to as Schedule 1 ---

10 75 Q. That is Exhibit 2?

11 A. Exhibit 2 was only a document that was  
12 prepared to try to ascertain where the shares  
13 were and was not data which resulted in the  
14 issuance of the shares of Associated. This is  
15 not a backing up document.

16 76 Q. This appears to read -- the words are  
17 "To be issued" on top of this document.

18 A. This was only a discussion with Mr.  
19 Tramiel.

20 77 Q. This was a statement you prepared in  
21 order to determine what shares should be issued  
22 by Associated Canadian Holdings Limited?

23 A. Exactly. It was only prepared as  
24 an indication of where the shares were and  
25 to whom the shares if the transaction went  
26 through and if they were issued by Associated.  
27 It was not subordinated data to that transaction.

28 78 Q. This shows it was proposed Mr. Walton  
29 would transfer 15,000 shares of Consolidated  
30

1 Business Machines to Associated Canadian  
2 Holdings Limited. That was the original  
3 proposal. Is that correct?

4 A. That was the original proposal he was  
5 to get that amount, yes.

6 79 Q. And it appears that Mr. Tramiel gave  
7 a direction to C.M. Solomon, on February 13th,  
8 1964 which included Mr. Walton's name as being  
9 entitled to 7500 preferred shares and 15,000  
10 common shares of Associated Canadian Holdings  
11 Limited?

12 A. Did he not get them?

13 80 Q. Subsequently, Mr. Tramiel - I have  
14 a photostatic copy of letter Mr. Tramiel sent  
15 to Mr. Solomon setting out a new list of the  
16 shareholders and the amount of shares to be  
17 issued and Mr. Walton was not included in  
18 this list. Can you tell me the reason why  
19 Mr. Walton would have been in the original  
20 proposal and subsequently left out?

21 A. Yes. It was put in -- now that I  
22 see the transaction -- 7500 shares. It was  
23 put in 50% in Harry Wagon's name, and 50%  
24 in my name for the benefit -- we were to  
25 account for it to Mr. Walton.

26 81 Q. Why was this done?

27 A. I think, at that particular time,  
28 Mr. Walton was in problems.

29 82 Q. Did you have 7500?  
30

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1 A. I still hold 7500.

2 33 Q. They are common shares and the 3,750  
3 of the preferred?

4 A. I still hold them for Mr. Walton.

5 34 Q. In trust for Mr. Walton?

6 A. I am sorry, right.

7 35 Q. On this memorandum of where the shares  
8 are, there is the notation Five Wheels. What  
9 is meant by that?

10 A. Do those notations total 100,000 shares?

11 36 Q. I haven't totalled them, Mr. Morgan.

12 A. They represent the shares. To answer  
13 your question, they represent the shares that  
14 went to Five Wheels and Five Wheels purchased  
15 their 100,000 shares.

16 37 Q. I understand that in July 1963 Five  
17 Wheels Limited purchased 100,000 shares of  
18 Commodore Business Machines from Associated  
19 Canadian Holdings Limited?

20 A. Right, and this was part of that  
21 grouping of Associated Canadian and the stock  
22 went from those various shareholders to  
23 Five Wheels.

24 38 Q. Were the shares actually transferred  
25 to Five Wheels Limited?

26 A. Oh yes.

27 39 Q. The words B. & G., Barrett, Goodfellow,  
28 were those shares pledged to Barrett, Goodfellow  
29 for loans, or just held by Barrett, Goodfellow?  
30

1 A. Barrett, Goodfellow is a broker on  
2 the Toronto Stock Exchange and these shares  
3 were as collateral to Associated Canadian  
4 account with Barrett, Goodfellow.

5 90 Q. On the last page, page 3 of this  
6 memorandum, there were some calculations together  
7 with a final balance of \$5,314.00, and it reads  
8 "To be charged to H.W. in trust." Can you tell  
9 me what is meant by that?

10 A. So, I can't.

11 91 Q. Is this in your handwriting?

12 A. Yes. This was just trying to  
13 summarize and total the shares which were  
14 outstanding and try to reconcile them and  
15 this was only a reconciliation at this time.  
16 I can't recall the breakdown of the transaction.

17  
18 ---Off the record discussion.

19  
20 BY MR. BAIRD:

21 92 Q. Mr. Morgan, I understand that Messrs.  
22 Traniel and Kapp sold, or transferred 100,000  
23 shares of Commore Business Machines to you,  
24 Mr. Walton, and Mr. Wagan for 100,000 shares  
25 of Dale Estates Limited plus \$50,000.00 cash.  
26 Is that correct?

27 A. That's right.

28 93 Q. Mr. Kapp, under examination, has  
29 indicated that he had no knowledge of this  
30



1 transaction. Can you advise me as to how the  
2 transaction was effected and with whom you had  
3 negotiation?

4 A. I negotiated with Mr. Tramiel.

5 94 Q. What was the purpose of the transaction?

6 A. The purpose of the transaction was that  
7 the idea behind Associated was to make it into  
8 a diversified company and not to put all our eggs  
9 in one basket, to have a substantial investment  
10 in another company besides Commodore Business  
11 Machines.

12 95 Q. But I have been advised by Mr. Wagman  
13 that you subsequently sold those 100,000 shares  
14 of Commodore Business Machines to Associated  
15 Canadian Holdings Limited. Is that correct?

16 A. Because there had been an arrangement  
17 made to purchase 100,000 shares of -- I think  
18 it was then 100,000 shares of Five Wheels for  
19 \$750,000. and in order to get shares into the  
20 company for this transaction, those shares  
21 were sold by Mr. Wagman and Mr. Walton and  
22 myself to Associated for \$490,000.00.

23 96 Q. How much did you pay, or what value  
24 did you give Mr. Tramiel and Kapp for those  
25 shares?

26 A. We gave them 100,000 shares of Dale  
27 and \$50,000.00 cash.

28 97 Q. What was the value placed on 100,000  
29 shares of Dale?

30

1 A. It would be impossible to buy that  
2 number of shares on the market. It was a  
3 trade of the securities on the basis of one  
4 for one plus \$50,000.00.

5 98 Q. In the minutes of Associated Canadian  
6 Holdings Limited the shares of Commodore Business  
7 Machines were valued at \$3.50 each for the purpose  
8 of issuing the preferred and common shares of  
9 Associated Canadian Holdings Limited. Why did  
10 Associated Canadian Holdings Limited pay you  
11 \$4.90 a share for the shares of Commodore  
12 Business Machines?

13 A. For the simple reason that to go out  
14 and buy that number of shares of Commodore, the  
15 market would probably be above that.

16 99 Q. Why did you agree that Associated  
17 Canadian Holdings Limited would only pay  
18 \$3.50 for some shares and \$4.90 for other  
19 shares?

20 A. What was the lapse of time in there?

21 100 Q. The record is at the same time, the  
22 same day -- July 10th 1963?

23 A. I mean -- in other words, if I recall  
24 the transaction, we turned in 100,000 shares of  
25 Dale for 100,000 shares of Commodore and we  
26 paid them \$50,000.00 to Traniel and Kapp.

27 101 Q. When did you do this? This was a  
28 transaction which is not recorded in the books  
29 of Associated Canadian Holdings Limited because  
30

1 it involved Kapp and Tramiel as individuals?

2 A. Yes

3 102 Q. When did this transaction take place?

4 A. This transaction took place -- I can't  
5 give you the exact time but there was a lapse of  
6 time in it. It certainly wasn't done on the  
7 same day.

8 103 Q. But then on July 10th 1963, the records  
9 indicate that the shares we have just been  
10 referring to of Commodore Business Machines,  
11 215,600 shares were sold by the shareholders  
12 to Associated Canadian Holdings Limited for  
13 \$3.50 a share?

14 A. Yes, but this negotiation had been  
15 in process for several months before that was  
16 done. In other words, it had been agreed on  
17 in principal.

18 104 Q. But I come back to the same question.  
19 On the same day, according to the books, the  
20 100,000 shares of Commodore Business Machines  
21 were sold by you and Mr. Walton and Mr. Wagan  
22 to Associated Canadian Holdings Limited for  
23 \$4.90 a share?

24 A. They were subsequently sold on the  
25 same day for \$5.00 to Five Wheels.

26 105 Q. That's correct, but there appears to  
27 be a profit in this transaction for you, Mr.  
28 Walton and Mr. Wagan for \$140,000.00?

29 A. I don't see how you say that.  
30

1 106 Q. If the same shares were worth \$3.50?

2 A. I am not certain they were only worth  
3 \$3.50.

4 107 Q. Why would shareholders transfer the  
5 shares to the company for \$3.50?

6 A. They transferred - the shareholders  
7 got under the option, a share of common stock  
8 and half a share of preferred.

9 108 Q. But for valuation purposes, they were  
10 valued at \$3.50?

11 A. You have to put a valuation on them  
12 but in my opinion, the value of the stock was  
13 much above that.

14 109 Q. I understand Messrs. Tramiel, Kapp  
15 then transferred to Associated Canadian  
16 Holdings Limited 100,000 shares of Dale Estates  
17 Limited. Is that correct?

18 A. I believe that was so.

19 110 Q. And at the time they transferred those  
20 shares to the company, they were valued at  
21 \$3.00 a share. Is that your understanding?

22 A. I understood that they got half a  
23 share -- a share of common and half a share of  
24 preferred based on that valuation which was  
25 the same measuring stick that was used for the  
26 shareholders when they purchased Commodore.

27 111 Q. Why would they be prepared to accept  
28 a valuation of \$300,000.00 on the Dale Estate  
29 shares plus the \$50,000.00 cash when you received  
30

1 \$490,000.00 for the shares which they had sold  
2 to you?

3 A. You will have to ask Mr. Tramiel that.

4 112 Q. I have asked Mr. Tramiel about the  
5 transaction. I asked Mr. Tramiel about the  
6 transaction we have just been discussing. I  
7 asked him --

8 "What was the reason for the transaction?"

9 A. So Mr. Morgan could make some  
10 additional money.

11 Q. How could he make some additional  
12 money?

13 A. I don't know exactly but I know  
14 we sold for less and bought for more.

15 Q. I don't understand it, Mr. Tramiel.

16 A. I don't understand it myself.

17 Q. What did you sell for less?

18 A. Commodore Business Machines stock.

19 Q. At what price did you sell them?

20 A. I don't recall at the present time.

21 Q. Have you any record which would  
22 show the price at which you sold them?

23 A. I don't have a record.

24 Q. Were you the owner of the shares  
25 when they were sold?

26 A. I never had the shares in my  
27 possession.

28 Q. Where were the shares?

29 A. Mr. Morgan held them.

30 This page generously brought to you by Elmer Horvath



1 Q. Why did he hold them?

2 A. I have told you this before, Mr.  
3 Morgan had all the shares in trust and  
4 they were never released.

5 Q. Mr. Morgan has told me he has  
6 no recollection of holding any of your  
7 shares of Commodore Business Machines.

8 A. Well, I would definitely like to  
9 say I didn't deliver them to him because  
10 I did not have them.

11 Q. Why did you receive shares of  
12 Dale Estates Limited in return.

13 A. I have repeated, I have said it  
14 before because Mr. Morgan wanted to make  
15 some extra money.

16 Q. I don't understand your answer,  
17 Mr. Traniel.

18 A. Commodore shares were sold below  
19 the market price and Dale Estates was  
20 bought above market price. Mr. Morgan  
21 owned Dale shares and that is the  
22 reason he made additional amount of  
23 profit."

24 Is that true, Mr. Morgan?

25 A. No, that is not true.

26 113 Q. How much did you pay for the Dale  
27 Estate shares?

28 A. I can't ascertain but I would think  
29 they were somewhere around \$3.00.  
30

1 114 Q. Mr Tramiel has said Dale Estate shares  
2 were sold to Associated Canadian Holdings Limited  
3 at above the normal market price. Is that  
4 true?

5 A. No, I don't think so. In other words,  
6 there was never any sale of Dale shares to  
7 Associated Canadian Holdings Limited as such.  
8 If the minutes of Associated say they were  
9 exchanged for a certain number of shares of  
10 common and a certain number of shares of  
11 preferred---

12 115 Q. The minutes of Associated Canadian  
13 Holdings Limited make no reference to the Dale  
14 Estate shares. They only refer to the shareholders  
15 transferring shares of Commodore Business Machines  
16 to the company. The books of account indicate  
17 that Dale Estate shares plus \$50,000.00 was  
18 received in lieu of receiving common shares of  
19 Commodore Business Machines?

20 A. No. In other words the transaction  
21 was this -- that the shares of Dale went into  
22 the company for the issuance of preferred and  
23 common shares of Associated. Is that not true?

24 116 Q. That is true.

25 A. Therefore Associated exchanged their  
26 shares for Dale Estate shares.

27 117 Q. But for the purpose of the transaction  
28 Associated Canadian Holdings' shares were valued  
29 at \$3.50?  
30

1 A. You have to put a value on them to  
2 make your credits to your issued capital stock.

3 118 Q. That is correct, and this would put  
4 a value of \$300,000.00 on the Dale Estate shares.  
5 Mr. Tramiel said this was above the normal market  
6 price.

7 A. How would Mr. Tramiel know of the buying  
8 the 100,000 shares of Dale. If you went into the  
9 market to buy 100,000 shares of Dale Estates,  
10 the price would probably have been \$3.00.

11 119 Q. Do you know what the normal market price  
12 for those shares were?

13 A. They were level at that time at approx-  
14 imately between \$2.39, or \$2.35, something like  
15 that.

16 120 Q. Associated Canadian Holdings Limited  
17 indicate they issued a cheque for \$490,000.00  
18 which was deposited in the Guaranty Trust Account  
19 13324. What was this account?

20 A. This was operated by Mr. Walton because  
21 this transaction represented a transaction between  
22 Mr. Walton, Mr. Wagman and myself.

23 121 Q. Did you, Mr. Walton and Mr. Wagman have  
24 a syndicate for investment purposes?

25 A. Not necessarily. I wouldn't call it  
26 that, no.

27 122 Q. What would you call it?

28 A. We went into a number of transactions  
29 on the basis where each of us took a third but  
30

1 this was not a general practice.

2 123 Q. Was this the number through which this  
3 account was handled, 13324?

4 A. This is where the transaction for the  
5 490,000 shares were handled. I was not a signing  
6 authority on that account.

7 124 Q. Who were signing authorities on that  
8 account?

9 A. I don't know. You will have to ask the  
10 Guaranty Trust

11 125 Q. I would like to show you a handwritten  
12 statement which I will enter as Exhibit 3 to  
13 this examination. Can you tell me whether you  
14 prepared this statement?

15 A. This is my handwriting. I am just  
16 looking at it, yes.

17  
18 ---EXHIBIT NO. 3: Handwritten statement representing  
19 reconciliation of stock.

20  
21 BY MR. BAIRD:

22 126 Q. What does this statement represent,  
23 Mr. Morgan?

24 A. This is a reconciliation of the  
25 stock, where it was, and my attempt to find  
26 out where the various items of stock were.

27 127 Q. The first item deals with 100,000  
28 Dale Estate shares and \$50,000.00 cash. Those  
29 were the shares of Dale Estates and \$50,000.00

30

1 cash, which was transferred to Associated  
2 Canadian Holdings Limited by Messrs. Tamiel  
3 & Kapp. Is that correct?

4 A. Correct.

5 128 Q. Item 2 is 100,000 shares of Commodore  
6 Business Machines. Were those shares that were  
7 sold by Messrs. Tamiel & Kapp to you, Mr.  
8 Walton & Mr. Wagon and then sold to Five Wheels  
9 Limited?

10 A. I thought they were just a cross-  
11 indication of those shares.

12 129 Q. This is what I mean?

13 A. Yes, I think that's right.

14 130 Q. Were those the shares which were  
15 eventually sold to Five Wheels Limited?

16 A. Those were -- you see those are the  
17 issuance of common shares and preferred shares  
18 of---

19 131 Q. Why are they broken down in this  
20 fashion? Why do you arrive at the figure of  
21 \$100,000.00?

22 A. Those are not dollars, those are  
23 shares.

24 132 Q. Shares of what company?

25 A. Those are the shares of A.C.H. new  
26 stock, common and preferred -- 7500, 15,000,  
27 7500, 15,000, 13,333, 4,667, 10,000, 25,602.

28 133 Q. Why are they set up in this fashion?  
29 What do they represent?

30



1 A. There is the amount of \$2,000.00 you  
2 were worrying about before.

3 134 Q. I just realized that. Do those  
4 represent 100,000 shares of Commodore Business  
5 Machines?

6 A. Those are the stock on account, and  
7 this is the common and preferred stock of  
8 A.C.H. issued for those shares.

9 135 Q. Those are the amount of shares issued  
10 to A.C.H., the amount of shares A.C.H. issued?

11 A. Issued to those various individuals.

12 136 Q. To the various individuals on the  
13 list totalling \$100,000.00?

14 A. 100,000 shares. This is only the  
15 reconciliation of the shares, to reconcile the  
16 issuance of the common shares. This should in  
17 some way tie into the original except in connection  
18 with the Associated Canadian Holdings, the issuance  
19 of their stock.

20 137 Q. The second item A.C.H. received from  
21 British Mortgage 42,725. We have previously  
22 discussed this but there is an additional item  
23 C.P. Morgan -- 2,000. Does that mean 2,000 shares  
24 are lodged with British Mortgage & Trust?

25 A. Original stock which was in my name  
26 and came over to Associated in return for 2,000  
27 shares of common stock.

28 138 Q. Would you then say this is a correct  
29 summary of the persons who were owners of the  
30

1 shares lodged with British Mortgage & Trust  
2 Company?

3 A. Those are the original owners of the  
4 stock in whose names they were in. In other  
5 words, a certificate in name of Estelle Kapp  
6 endorsed by her for 3900 and one for Jack  
7 Tramiel for 24,000, and one for Helen Tramiel  
8 for 3900, one for B. Silberman and one in my  
9 name of 2,000 who are the individuals who  
10 originally held A.C.E. shares endorsed and  
11 turned over to British Mortgage & Trust Company.  
12 I turned them over out of those individual's  
13 names to their own names as collateral security  
14 for the directors' loan on the debenture

139 Q. Those were the registered owners of  
15 the shares. Were they the actual owners?

16 A. They must have been. I think this  
17 must tie in there with the issuance of the  
18 common of Associated.

19 140 Q. Item 4 A.C.H. receives from C.M.S  
20 What does that mean, Mr. Morgan?

21 A. Yes, from C.M. Solomon.

22 141 Q. Does this mean Mr. Solomon was holding  
23 certain shares?

24 A. Mr. Solomon held all of this stock in  
25 his office.

26 142 Q. On item 5, I interpret to be A.C.H in  
27 Germany. Is that correct?

28 A. Yes. They sent 48,000 shares of  
29 Commodore  
30

1 Business Machines over to Germany, to the bank  
2 in Germany for sale.

3 143 Q. What bank are you referring to?

4 A. I think it is Marklin.

5 144 Q. We have a record of various shares of  
6 Commodore Business Machines being sold to  
7 Marklin, Berlin. Is this a bank in Berlin?

8 A. It is one. I think there are a number  
9 of offices in Germany.

10 145 Q. The records of the company indicate  
11 that those Commodore Business Machine shares  
12 were sold for \$3.00 in the period between July  
13 1963 and October 1964 when the Toronto Stock  
14 Exchange was \$4.40 to \$4.50?

15 A. They were sold overseas on an agreement  
16 at the time. In other words, it ran for a period  
17 of time and the original price was \$3.00 and it  
18 wasn't altered.

19 146 Q. Who had this agreement?

20 A. With a chap -- what is his name, in  
21 New York? Antin.

22 147 Q. What is his first name?

23 A. Harold.

24 148 Q. With whom was the agreement?

25 A. It was with him and he was -- we were  
26 trying to get the company established in Germany  
27 and get additional shareholders over there and  
28 those shares were given to his connections in the  
29 Marklin bank and they were deposited with them so  
30

1 that they could really introduce Commodore to  
2 the European market.

3 149 Q. Was this agreement with Associated  
4 Canadian Holdings Limited?

5 A. Yes, it was with Associated Canadian  
6 Holdings Limited. It wasn't a written agreement,  
7 just a general agreement.

8 150 Q. Associated Canadian Holdings Limited  
9 appears to have suffered a considerable loss as  
10 a result of this agreement?

11 A. Well, Associated Canadian Holdings  
12 Limited felt the important thing was to get  
13 additional European shareholders and the  
14 introduction of Commodore stock in the European  
15 market would make it possible because there was  
16 some thought, at that particular time, to do  
17 some financing in Germany on the Willy Failer  
18 factory.

19 151 Q. Was this effective, to improve the  
20 price of shares of Commodore Business Machines?

21 A. The idea was, we felt by getting an  
22 interest overseas and having a substantial  
23 shareholding in Europe, the price would automati-  
24 cally improve.

25 152 Q. There is a very poor photostatic copy  
26 of certain notations on the second page of Exhibit  
27 Number 3. Can you tell me whether they are in  
28 your handwriting?

29 A. Yes, this is in my handwriting. I was  
30

1 trying to make it out but it is illegible.

2 153 Q. I can only make out certain of the  
3 notations?

4 A. It looks like an attempt to show the  
5 transaction in connection with the Dale.

6 154 Q. It appears to me the notation is  
7 set up to determine how the 100,000 shares of  
8 Dale Estates would be acquired by you, Mr.  
9 Walton, and Mr. Vagman. Is that correct?

10 A. Well, it is some scribblings along  
11 that line but I can't make it out without  
12 getting a proper---

13 155 Q. Mr. Tramiel has said, Mr. Morgan, that  
14 you held all his shares of Commodore Business  
15 Machines. Is that true?

16 A. I never held any of his shares. They  
17 were all held in Solomon's office with his  
18 permission, with his control, and his consent.

19 156 Q. They were not held by Mr. Solomon for  
20 you, or any companies you represent?

21 A. No. I think they were all held in  
22 his office for the company. In other words,  
23 there was a long delay in the issuance of the  
24 stock. I don't know why but it was all under  
25 his control except for the shares that were up  
26 for security either with Barrett, Goodfellow or  
27 with British Mortgage & Trust. I didn't  
28 personally hold them. They were in Solomon's  
29 office.  
30

1 157 Q. I am concerned with where the shares  
2 were held before Associated Canadian Holdings  
3 Limited was incorporated?

4 A Most of the stock of - are you asking  
5 about Commodore Business Machines?

6 158 Q. Stock of Commodore Business Machines.

7 A. Most of the shares were in the hands  
8 of -- in other words, were in escrow. There  
9 were only a limited number of shares which were  
10 free and Mr Solomon kept all the records with  
11 regard to the stock. He held Mrs. Kapp's,  
12 he had my stock. He had eventually all of the  
13 stock when it came out of escrow was all released  
14 at one time.

15 159 Q. Mr. Morgan, I would like to deal  
16 specifically with the 63,000 shares listed on  
17 Exhibit 1 as being purchased from W. Streit.  
18 I would like to show you a photostatic copy  
19 of letter which appears to have been written  
20 by Solomon, Singer & Rosen to Mr. Harry Wagman.  
21 This will be Exhibit 4 in this examination.  
22 It appears all those 63,000 shares were trans-  
23 ferred into the name of Harry Wagman in trust.  
24 Can you tell me why this was done?

25 A. Well, because they were to be divided  
26 between Walton, Wagman, Traniel, Kapp, and myself.

27 160 Q. I understand you originally had an  
28 agreement with Mr. William Streit concerning  
29 the 70,000 shares. Is that correct?  
30

1 A. That is correct.

2  
3 ---EXHIBIT NO. 4: Photostatic copy of letter from  
4 Solomon, Singer & Rosen to Mr. Wagonan.

5 BY MR. BAIRD:

6 161 Q. This agreement was in your name?

7 A. Right.

8 162 Q. What was the amount of the purchase  
9 price for the 70,000 shares?

10 A. I think it was \$70,000.00.

11 163 Q. Can you tell me how you paid Mr.  
12 Streit for the purchase of the shares?

13 A. Was it paid through Solomon in trust?

14 164 Q. I would like to show you a cheque,  
15 photostatic copies of two cheques. The first  
16 will be Exhibit 5 dated June 20th 1962, pay to  
17 the order of C. William Streit \$29,430.28. Do  
18 you know whether this cheque represents part  
19 payment of the \$70,000.00?

20 A. I don't know. I would say it would. I  
21 don't think Mr. Solomon had any other trans-  
22 actions with Mr. Streit.

23  
24  
25 ---EXHIBIT NO. 5: Photostatic copy of cheque dated  
26 June 20th 1962 in the amount of  
\$29,430.28.

27 BY MR. BAIRD:

28 165 Q. I would like to show you as Exhibit 6

1 cheque dated June 20th in the sum of \$40,569.72  
2 also paid to the order of C. William Streit re  
3 purchase of shares Commodore Business Machines  
4 (Canada) Limited drawn by Solomon, Singer & Rosen.

5 A. Those two together make \$70,000.00.

6  
7 ---EXHIBIT NO. 6: Photostatic copy cheque dated June 20th  
8 1962 in the amount of \$40,569.72.

9  
10 BY MR. BAIRD:

11 166 Q. They add up to \$70,000.00, so it appears  
12 Mr. Solomon paid Mr. C. William Streit \$70,000.00.  
13 Do you know where Mr. Solomon obtained this money?

14 A. He got it either from Aurora, or  
15 Valley Farm. Someone loaned it to him.

16 167 Q. I would like to show you a cheque for  
17 \$70,000.00 dated June 20th 1962. I would enter  
18 this as Exhibit Number 7 drawn by Valley Farm  
19 & Enterprises Limited to Carl Solomon in trust.  
20 It appears from this cheque that Carl Solomon  
21 received \$70,000.00 from Valley Farm & Enterprises  
22 Limited. Is that correct?

23 A. That's correct.

24  
25 ---EXHIBIT NO. 7: Cheque dated June 20th 1962 in the  
26 amount of \$70,000.00.

27 BY MR. BAIRD:

28 168 Q. Do you know why Valley Farm & Enterprises  
29 paid Mr. Solomon \$70,000.00 for these shares?



1 A. I put the option through Valley Farms  
2 and Valley Farm paid the money to Mr. Streit.

3 Q. Have Valley Farm been paid for those  
4 shares?

5 A. I think they have if you check through.

6 Q. There is no record of any receipt by  
7 Valley Farm of any money.

8 A. I think they sold them to Aurora for  
9 \$24,500.00 and made \$24,500.00 profit on that.

10 Q. The shares were never shown as assets  
11 of Aurora Leasing. Those shares weren't, as  
12 you have outlined it, into Associated Canadian  
13 Holdings Limited?

14 A. This was in the final analysis. This  
15 was in the first instance they went into Solomon  
16 in trust and then into Associated.

17 Q. But Associated Canadian Holdings Limited  
18 have not paid for them. There is no record of  
19 Aurora Leasing Corporation Limited ever receiving  
20 any payment for those shares. They don't even  
21 show those shares as an asset on their books.

22 A. Were they collateral on a loan?

23 Q. They have never been given to Aurora  
24 Leasing. As we have dealt with them, they have  
25 gone into Associated Canadian Holdings Limited?

26 A. Correct, but I think you will find  
27 those were paid for.

28 Q. I would like to show you a cheque dated  
29 June 28th 1962 drawn to the order of Valley Farm  
30

1 & Enterprises by Aurora Leasing Corporation in  
2 the amount of \$94,500.00. I would enter this  
3 as Exhibit 9. I understand this cheque represents  
4 the payment to Valley Farm & Enterprises of  
5 \$94,500.00 out of which they paid \$70,000.00  
6 for the purchase of those shares?

7 A. Yes, that's right. The option was  
8 turned over to Valley Farm and it was a number of  
9 shares -- this amount of money was borrowed from  
10 Aurora.

11 175 Q. By Valley Farm & Enterprises?

12 A. Yes.

13  
14 ---EXHIBIT NO. 9: Cheque dated June 20th 1962 in the  
15 amount of \$94,500.00.

16  
17 BY MR. BAIRD:

18 176 Q. Mr. Morgan, the account ledger of  
19 Aurora Leasing Corporation Limited shows  
20 \$94,500.00 as being a loan to Don Mills?

21 A. This was Mr. Tremiel and Mr. Kapp.

22 177 Q. But you said the money was borrowed  
23 by Valley Farm & Enterprises Limited?

24 A. I said it must have been, pardon.

25 178 Q. Who did borrow the money?

26 A. I can't recall.

27 179 Q. Mr. Morgan, I would like to show you  
28 as Exhibit 9, a photostatic copy of promissory  
29 note dated June 20th 1962 in the amount of  
30

1 \$94,500.00 drawn in favour of Aurora Leasing  
2 Corporation Limited signed Don Mills and it  
3 appears to be signed by Mr. Tramiel and Mr.  
4 Kapp. Can you explain to me why Messrs. Kapp  
5 and Tramiel would draw a note of \$94,500.00  
6 in favour of Aurora Leasing Corporation Limited?

7 A. Is this the same -- I presume this is  
8 the same transaction?  
9

10 ---EXHIBIT NO. 9: Photostatic copy promissory note dated  
11 June 20th 1962 in the amount of  
12 \$94,500.00.

13 BY MR. BAIRD:

14 180 Q. Yes, the books of Aurora Leasing  
15 Corporation Limited show the money being paid  
16 to Valley Farm & Enterprises and also charged  
17 on their books to Don Mills?

18 A. I think this is in connection with  
19 those shares.

20 181 Q. How are Don Mills involved?

21 A. In other words, this was Mr. Tramiel  
22 and Mr. Kapp were the group that were to get the  
23 provision of the purchases from Strait on the  
24 five ways. It should have been paid back.

25 182 Q. Mr. Tramiel and Kapp denied ever having  
26 any interest in this matter. They say this  
27 promissory note was given only because they had  
28 already borrowed \$100,000.00 and it was given  
29 as additional evidence of the loan of \$100,000.00.  
30

1 Is that true?

2 A. I don't know anything of that thing  
3 at all. I don't know about the \$100,000.00.

4 183 Q. There was a loan of \$100,000.00 from  
5 Don Mills?

6 A. The amounts are the same but if the  
7 transactions are the same, representing the same  
8 thing, why, I can't understand the answer given  
9 by Mr. Tramiel.

10 184 Q. When the 70,000 shares were being purchased  
11 from Mr. Streit, did you understand Tramiel and  
12 Kapp were to receive part of the shares?

13 A. In other words the shares were -- in  
14 other words, they were to go in -- in the  
15 original distribution, they were re-divided in  
16 this ratio.

17 185 Q. In this re-distribution, Mr. Kapp  
18 was entitled to 33,333 and Mr. Tramiel was  
19 entitled to 13,333 shares. Did they agree to  
20 pay \$94,500.00 for 26,666 shares of Commodore  
21 Business Machines?

22 A. I can't answer that. Just now, I  
23 can't recall the transaction.

24 186 Q. Were you a partner in Don Mills?

25 A. No.

26 187 Q. Do you know why Aurora paid \$94,500.00  
27 to Valley Farm & Enterprises?

28 A. I think it was in the form of a loan.  
29 That was my recollection, Mr. Baird.

1183 Q. Did you consider it a loan to Don  
2 Mills, or Valley Farm & Enterprises?

3 A. I considered it a loan to Valley Farm.

4189 Q. Do you know why it was set up in the  
5 books of Aurora Leasing Corporation as a loan  
6 to Don Mills?

7 A. I do not.

8190 Q. I understand the books of Valley Farm  
9 & Enterprises Limited show this transaction of  
10 the sale of shares to Aurora Leasing Corporation  
11 Limited and they made a profit of \$24,500.00 on  
12 the transaction. Is this your understanding from  
13 the books of Valley Farm & Enterprises Limited?

14 A. That is my understanding, right.

15191 Q. But there is no record of those shares  
16 ever having been received by Aurora Leasing  
17 Corporation.

18 A. Were they not collateral to this loan?

19192 Q. But you said there was no loan to  
20 Don Mills?

21 A. I am asking the question.

22193 Q. To Valley Farm & Enterprises Limited?

23 A. I was under the impression Valley  
24 Farm had borrowed the money from Aurora and  
25 Valley Farm had sold the shares and made a profit  
26 on them.

27194 Q. To whom did they sell the shares?

28 A. It was quite obvious it was sold to  
29 Don Mills. This transaction should be followed

1 through in Aurora and the shares -- don't forget,  
2 they were escrowed shares and should have been  
3 sold when they came out of escrow and this loan  
4 paid off. It is at 10% per annum.

5 195 Q. There is no record of the loan ever  
6 having been repaid?

7 A. I am told this is true.

8 196 Q. You personally received some of those  
9 shares or credit for some of those shares when  
10 they were transferred to Associated Canadian  
11 Holdings Limited. Did you ever pay?

12 A. This was my proportion for having  
13 negotiated the transaction with Mr. Streit.

14 197 Q. Who was to pay Valley Farm & Enterprises  
15 Limited for those shares?

16 A. Valley Farm & Enterprises sold them  
17 back apparently to Don Mills. In getting this  
18 thing together, I am only trying to help out on  
19 the situation -- and according to Valley Farm's  
20 records, I believe they made a profit on the  
21 transaction.

22 198 Q. Did Don Mills ever pay Valley Farm &  
23 Enterprises Limited for the shares?

24 A. I don't follow you, Mr. Baird.

25 199 Q. Valley Farm sold the shares. They  
26 should have been paid for them?

27 A. Yes.

28 200 Q. I am asking you -- were they paid?  
29 Who paid them? If they sold for \$94,500.00,  
30 who paid them?

1 A. The money, according to my understanding,  
2 came from Aurora then in the Valley Farm records  
3 would show a profit of \$24,500.00 on the  
4 transaction. If Don Mills -- I thought this  
5 was supposed to be off the record.

6 MR. BAIRD: If we piece it together,  
7 I want to go back on the record.

8

9 -- Off the record discussion.

10

11 BY MR. BAIRD:

12 201 Q. Mr. Morgan, I understand you originally  
13 had an option agreement with Mr. Strait whereby  
14 you were to purchase 70,000 shares of Commodore  
15 Business Machines at \$1.00 a share. How were  
16 those shares paid for?

17 A. I turned over the option on 63,000  
18 shares to Valley Farm for \$70,000.00 retaining  
19 7,000 shares, free shares, myself.

20

21 -- Off the record discussion.

22

23 BY MR. BAIRD:

24 202 Q. I would like to first deal with what  
25 happened to the 70,000 shares, Mr. Morgan.  
26 When the option with Mr. W. Strait was exercised,  
27 I understand 7,000 shares were released, and  
28 63,000 shares remained in escrow. Is that  
29 correct?

1 A. That's correct.

2 203 Q. I understand subsequently the 7,000  
3 shares were sold. Did you receive a profit on  
4 the sale of those 7,000 shares?

5 A. Yes, because those shares were turned  
6 into Associated Canadian Holdings for their stock.

7 204 Q. That is not correct. I understand,  
8 Mr. Morgan, Mr. Carl Solomon arranged for the  
9 transfer of 7,000 shares which had originally  
10 been registered in name of William C. Streit, and  
11 a series of people. I would like to show you  
12 a letter of July 13th, 1962 which will be Exhibit  
13 10 to this examination.

14 A. They were employees of the factory, were  
15 they not?

16 205 Q. I have no idea who the persons are  
17 but it appears that 7,000 free shares from the  
18 option were transferred into the names of the  
19 persons shown on Exhibit 10. Is that true?

20 A. No, they weren't. The Streit option  
21 of 7,000 shares was in my possession endorsed  
22 but it was in Solomon's office. As I told you  
23 all of the shares were kept in Solomon's office.  
24 Those 7,000 shares endorsed over by Streit were  
25 my property. The fact they were later transferred

26 206 Q. What happened to those shares?

27 A. Those shares were eventually transferred  
28 into other people's names for listing purposes.

29 207 Q. What do you mean by that, Mr. Morgan?



1 The 7,000 shares -- were they actually transferred  
2 into the names of the persons shown on Exhibit 10?

3 A. I think they were transferred into their  
4 names and endorsed back to Solomon.

5 208 Q. So they remained in your possession?

6 A. Actually, they were shares belonging to  
7 Associated. I think they belonged to Associated  
8 Canadian Holdings Limited.

9 209 Q. Were you eventually given credit for  
10 7,000 shares in the apportionment of the shares  
11 of Associated Canadian Holdings Limited?

12 A. I was. I know I got -- I never received  
13 Mr. Streit's certificate but I received other  
14 certificates equalling 7,000 shares.

15  
16 ---EXHIBIT NO. 10: Letter of July 13th 1962.

17  
18 BY MR. BAIRD:

19 210 Q. I am looking at Exhibit 2. I can't  
20 see how you received credit for the 7,000 shares.  
21 Mrs. M. Morgan received credit for 5,000 shares  
22 but I see no record of you receiving credit for  
23 7,000 or 2,000 shares.

24  
25 ---Off the record discussion.

26  
27 BY MR. BAIRD:

28 211 Q. There is no record of you receiving  
29 credit for 7,000. You have received credit for  
30

1 other amounts?

2 A. I received credit for the 6,334 and the  
3 other 7,000 was given to me separately but I  
4 have turned them into Associated for their stock.

5 212 Q. The 7,000 was never turned into  
6 Associated Canadian Holdings Limited It was  
7 retained by you?

8 A. That's right.

9 213 Q What happened to the 63,000 shares which  
10 were part of the option and which remained in  
11 escrow?

12 A. They were divided between Messrs.  
13 Tramiel, Kapp, Walton, Wagnan and the balance  
14 owing to me in the transaction of 6,334 shares  
15 came to me.

16 214 Q. In what proportion were they divided?

17 A. Mr. Tramiel got 13,333, Mr. Kapp 13,333,  
18 Mr. Walton 15,000, Mr. Wagnan, 15,000. The  
19 reason for the difference between 13,333 and the  
20 15,000 to Messrs. Walton & Wagnan -- those shares  
21 were to cover services rendered.

22 215 Q. Was it the original intention that  
23 the 70,000 shares would be divided equally among  
24 you, Mr. Walton, Mr. Wagnan, Mr. Tramiel, and  
25 Mr. Kapp?

26 A. That is correct.

27 216 Q. Why would the five persons I have just  
28 mentioned, including yourself, agree the shares  
29 would be divided in this manner. What was the  
30

1 purpose of this?

2 A. I agreed with Mr. Tramiel to make  
3 this division as set out. It represented a  
4 position because I felt I was entitled to a  
5 little bit more than the rest because I had  
6 the option and for this reason, he agreed the  
7 price the group would pay for it would be  
8 \$94,500.00.

9 217 Q. Was the \$94,500.00 to be paid by all  
10 five persons that we have just mentioned?

11 A. It was, yes, in the ratio of their  
12 holdings.

13 218 Q. It appears that Valley Farm & Enterprises  
14 Limited paid \$70,000.00 to Mr. Solomon. In turn,  
15 Mr. Solomon paid \$70,000.00 to Mr. Streit.  
16 Did you transfer your Option to Valley Farm &  
17 Enterprises Limited?

18 A. Yes, on the shares that were still in  
19 escrow.

20 219 Q. I understand then Valley Farm &  
21 Enterprises paid \$70,000.00 for the 63,000 shares  
22 which were still in escrow and you retained 7,000  
23 shares yourself. Is that correct?

24 A. Right.

25 220 Q. Subsequently, it appears that Valley  
26 Farm & Enterprises Limited received \$94,500.00  
27 from Aurora Leasing Corporation Limited?

28 A. This was correct and it was supposed  
29 to be the 63,000 shares at a dollar and a half

30

1 which was to be billed in the ratio mentioned  
2 above.

3 221 Q. So the payment by Aurora Leasing  
4 Corporation Limited to Valley Farm & Enterprises  
5 Limited, the means whereby the five persons,  
6 Messrs. Walton, Wagon, Tramiel, Kapp, and  
7 yourself paid for the 63,000 shares?

8 A. Yes

9 222 Q. Was the note executed by Messrs.  
10 Tramiel, and Kapp on behalf of Don Mills given  
11 as evidence of the indebtedness to Aurora  
12 Leasing Corporation Limited for the 63,000  
13 shares?

14 A. For the loan of the \$94,500.00.

15 223 Q. It was used to pay Valley Farm &  
16 Enterprises Limited for the 63,000 shares?

17 A. This is my understanding.

18 224 Q. It appears, although the loan set up  
19 in the books of Aurora in the name of Don Mills,  
20 the loan was actually made to the five persons.  
21 Would that be correct?

22 A. I would have to agree it is so.

23 225 Q. Did you ever pay Aurora Leasing  
24 Corporation Limited or Don Mills any portion  
25 of the \$94,500.00?

26 A. I will have to look through my cheques.  
27 I can't give you an answer at this moment. As  
28 a matter of fact, I thought this loan was paid.

29 226 Q. There is a payment on the books of  
30

1 account of Aurora Leasing Corporation indicating  
2 they had received approximately \$29,000.00 from  
3 Associated Canadian Holdings Limited as part  
4 payment of this loan. Did you arrange this, or  
5 are you familiar with that?

6 A. Well, this again I would have to look  
7 through my records. I was under the impression  
8 this was supposed to have been paid because I  
9 don't recall Aurora keeping stock.

10 227 Q. Mr. Morgan, I would like to show you  
11 as Exhibit 11, a photostatic copy of statement  
12 which reads C.P. Morgan, William L. Walton, H.  
13 Wagman, statement of investments as at August  
14 31st, 1962. Included in the assets in this  
15 statement are 63,000 shares of Commodore  
16 Business Machines Inc. Would you examine this  
17 statement and tell me whether the 63,000 shares  
18 which we have been referring to are the same as  
19 the 63,000 shares we have shown in the  
20 statement?

21 A. I have never seen this thing at all.  
22 Where did this thing come from?

23 228 Q. We obtained it from the Royal  
24 Commission.

25 A. I wonder where they got it from?

26 229 Q. I don't know who prepared it.

27 A. August 31st , 1962?

28 -EXHIBIT NO. 11: Photostatic copy statement as  
29 above described.

30 -Off the record discussion.

1 BY MR. BAIRD:

2 230 Q. I would also like to show you as Exhibit  
3 12 a handwritten statement headed Work Sheet re  
4 Trio account, holdings October 16th 1962 Do  
5 you recognize the handwriting?

6 A. Yes, the handwriting is that of Mr.  
7 Walton.

8  
9 --- EXHIBIT NO. 12: Handwritten work sheet re Trio account.

10  
11 BY MR. BAIRD:

12 231 Q. Do you know what the heading represents  
13 "Work Sheet Trio Account Holdings"?

14 A. Yesterday we were talking about Valley  
15 Farm. Is that \$120,000.00? I couldn't recall.  
16 Yes, that is the transaction we were talking  
17 about. This work sheet represents, to the best  
18 of my knowledge, some scribblings of Mr. Walton  
19 that I think a great deal of them are not right.  
20 Some of them are correct. Item here in  
21 connection with Commodore Business Machines  
22 63,000 escrowed shares was later sold, or was  
23 earlier sold before the date of that statement,  
24 sold to Ben Mills.

25 232 Q. Does this Trio referred to in the  
26 statement refer to Mr. Walton, and Mr. Wagnant?

27 A. This apparently is Mr. Walton's way  
28 of referring to it. I was asked whether or not  
29 -- yesterday, whether or not I had heard of the  
30

PETER W. MCHUGH  
SPECIAL EXAMINER  
TORONTO

1 Trio so this is the first time I have come on  
2 any evidence that would indicate to me that  
3 there was such a name in existence. It is  
4 apparently coined by Mr. Walton.

5 233 Q. Had this covered some joint transactions  
6 which you entered into with Mr. Walton and Mr.  
7 Wagman?

8 A. Yesterday, on the Valley Farm Statement,  
9 I was asked whether I knew anything about a  
10 Trio and I did not have any knowledge of it  
11 but in view of this evidence today, it is  
12 quite evident that Mr. Walton put that nomenclature  
13 on -- himself, Mr. Wagman, and myself.

14 234 Q. Do you know whether the three of you  
15 had 63,000 shares of Commodore Business Machines  
16 Inc. over and above the 63,000 shares which we  
17 have previously discussed?

18 A. No. That is why I say that statement --  
19 the previous Exhibit and this Exhibit are not  
20 right.

21  
22 ---Off the record discussion.

23  
24 BY MR. BAIRD:

25 235 Q. Mr. Morgan, I would like to show you  
26 as Exhibit 13 copy of letter which appears to  
27 have been written by Manfred Kapp dated July  
28 16th 1962 to Harry Wagman, Aurora Leasing  
29 Corporation Limited. It refers to enclosing  
30

1 in the letter the following listed share  
2 certificates of Commodore Business Machines  
3 (Canada) Limited being secured in loan made by  
4 you to Don Mills and it appears there were  
5 23,260 shares listed. Can you tell me for what  
6 purpose those shares were lodged with Aurora  
7 Leasing Corporation and particularly, I am  
8 concerned whether they were lodged as security  
9 for the \$94,000.00 loan or the \$100,000.00 loan  
10 made to Don Mills?

11 A. I can't answer that question. All I  
12 can say is that those figures on here are of  
13 Mr. Wagman, and he should be able to answer them.

14 236 Q. Did you have any discussions with Mr.  
15 Kapp concerning the lodging of those shares  
16 with Aurora Leasing Corporation Limited?

17 A. No.

18 237 Q. On June 22nd 1965, Associated Canadian  
19 Holdings Limited undertook to pay, from their  
20 account, on behalf of Barrett, Goodfellow &  
21 Company Limited, the balance owing in the account  
22 of Jack Tramiel and received from that account  
23 securities held there. Were you aware that  
24 Associated Canadian Holdings Limited entered  
25 into this arrangement with Barrett, Goodfellow?

26 A. No, I was not.

27  
28 **EXHIBIT NO. 13: Copy letter written by Manfred Kapp**  
29 **to Harry Wagman dated July 16th 1962.**



1 BY MR. BAIRD:

2 233 Q. On July 10th 1963, Associated Canadian  
3 Holdings Limited borrowed \$750,000.00 from Aurora  
4 Leasing Corporation Limited, who, in turn, loaned  
5 \$750,000.00 to Commodore Business Machines  
6 (Canada) Limited. This loan appears to have been  
7 paid on November 3rd 1963 but Associated  
8 Canadian Holdings Limited bought 100,000 shares  
9 of Five Wheels Limited from Commodore Business  
10 Machines for \$750,000.00. Are you familiar with  
11 this transaction?

12 A. Yes. The original deal fell through.  
13 In other words, the original purchase of the  
14 100,000 shares of Five Wheels were supposed to  
15 be done by Commodore Business Machines (Canada)  
16 Limited and the directors of Commodore Business  
17 Machines, particularly Mr. Annett and Mr. King  
18 -- I don't know whether it was Annett & Company --  
19 whoever was on the Board at that time. It was  
20 either -- I will put it this way. Annett &  
21 Company, directors of Commodore, objected to the  
22 purchase of this amount of stock, treasury stock,  
23 of Five Wheels and for this reason, it was --  
24 the deal was changed so that Associated Canadian  
25 Holdings Limited acquired the treasury stock of  
26 Five Wheels rather than Commodore Business  
27 Machines. The reason that Commodore was to  
28 acquire Five Wheels stock, was at that time they  
29 were thinking of going seriously into the leasing

1 business.

2 239 Q. Did you arrange and negotiate this  
3 transaction?

4 A. Mr. Tramial and I did, yes.

5 240 Q. Do you know the reason for the delay  
6 between July 1963 and November 1963?

7 A. As previously stated, the reason for  
8 it was because of the calling of directors'  
9 meetings, to try to get this thing ratified.

10 241 Q. There is an account receivable shown  
11 on the books of Associated Canadian Holdings  
12 Limited of \$112,070.00 owing by Standard  
13 International Corporation. The records of the  
14 company indicate on May 18th 1965, the sum of  
15 \$112,070.53 was paid by Associated Canadian  
16 Holdings Limited to Standard International  
17 Corporation Limited of Andover, Massachusetts.

18 A. That was to acquire the Arcan debenture  
19 which Standard International held and the  
20 necessity for acquiring it was to protect  
21 Associate's debentures on Arcan of \$350,000.00.

22 242 Q. Would you please outline the transaction  
23 involving Arcan? The books of the company  
24 indicate on July 16th 1963, Associated Canadian  
25 Holdings Limited loaned \$350,000.00 to the Arcan  
26 Corporation and received a debenture for  
27 \$350,000.00 for this loan. Was that correct?

28 A. Yes.

29 243 Q. Was the money paid directly to Arcan  
30

1 Corporation Limited?

2 A. I think it was either paid directly  
3 to Arcan or their solicitors.

4 244 Q. Who negotiated this transaction?

5 A. I was a principal with Mr. Tramiel  
6 having full knowledge of it.

7 245 Q. What was the purpose of the transaction?

8 A. This was to acquire what was considered  
9 to be a diversified investment.

10 246 Q. This was a loan by Associated Canadian  
11 Holdings Limited to Arcan. Is that correct?

12 A. Yes, but it was actually acquisition of  
13 a debenture. In other words, the purchase of  
14 a debenture.

15 247 Q. Who held the debenture?

16 A. This was the first issue.

17 248 Q. It was a payment to the treasury of  
18 Arcan Corporation Limited?

19 A. Yes.

20 249 Q. Were there any other transactions at  
21 the same time involving them?

22 A. I can't recall. I don't understand your  
23 question.

24 250 Q. Were there any side transactions at  
25 the same time with Arcan? Did Associated  
26 Canadian Holdings Limited make any arrangements  
27 with Arcan at the time, in particular concerning  
28 purchase of shares, or any other dealing?

29 A. I know that Associated had interests  
30

1 in Arcan. Whether or not they had any share  
2 interests, I can't say. Perhaps if you could be  
3 more specific, I could give you an answer.

4 A. I can't be more specific because I  
5 don't know of any other transactions. But I  
6 would like to carry on and amplify this payment  
7 in May.

8 251 Q. I want to move into the history of it.  
9 Would you please explain what subsequent dealings  
10 you had with respect to the Arcan Corporation  
11 Limited?

12 A. The debenture of Arcan held by Associated  
13 was a first charge on the assets of that company  
14 except for a previous charge, of a specific  
15 charge on the 60% interest in Bon Ami (Canada)  
16 Limited. The amount of this previous charge  
17 was \$100,000.00 American. The collateral  
18 security were the shares of Bon Ami (Canada)  
19 Limited. Standard International Corporation  
20 Limited which is the successor company to Bon  
21 Ami Inc. in the States, called this debenture  
22 and in order to protect Associated's interest  
23 in the shares of Bon Ami, which are the principal  
24 assets of Arcan, an agreement, or an arrangement  
25 rather, was entered into with Mr. Owen of Kila  
26 Investments Limited who was the former President  
27 of Arcan and also the distributor of Bon Ami  
28 products in Canada, whereby he would put up  
29 \$75,000.00 to protect Arcan's position and the

1 balance was put up by Associated Canadian  
2 Holdings. Associated, at that particular time  
3 did not have enough money in their treasury, and  
4 I personally advanced \$24,000.00 to pay this lien  
5 on Bon Ami shares off for the company.

6 252 Q. You are producing to me, Mr. Morgan,  
7 copy of a cheque dated May 13th 1965 -- pay to  
8 the order of Associated Canadian Holdings  
9 Limited the amount of \$24,000.00, signed by  
10 you and deposited to the credit of Associated  
11 Canadian Holdings Limited.

12 A. Do you want to make an Exhibit of that  
13 and give it back to me next time I see you?

14  
15 ---EXHIBIT NO. 14: Cheque dated May 13th 1965 in the  
16 amount of \$24,000.00.

17  
18 ---Off the record discussion.

19 BY MR. BAIRD:

20 253 Q. I would like to show you as Exhibit  
21 15, what appears to be a letter written on May  
22 21st 1965 by Associated Canadian Holdings Limited  
23 under the hand of Mr. Tremblay to Mr. B.P. Owen.  
24 Does this letter outline the agreement with Mr.  
25 Owen as you understood it?

26 A. It does. The terms of this agreement  
27 were dictated by Mr. Owen.  
28

1 --EXHIBIT 40. 15: Letter written by Associated Canadian  
2 Holdings Limited to Mr. Owen dated May  
3 21st 1965.

4 BY MR. BAIRD:

5 Q. Did Standard International Corporation  
6 transfer to Associated Canadian Holdings Limited  
7 this debenture on the assets of Bon Ami?

8 A. I am not certain whether it did because  
9 I did not have control of the Associated books.

10 Q. Did you understand it should have?

11 A. Yes, I understand it should have.

12 Q. What about the shares of Bon Ami?

13 Were they also to be transferred to Associated  
14 Canadian Holdings Limited by Standard International?

15 A. When the \$112,000.00 was paid on whatever  
16 this date is in May, at that time, what security  
17 the Standard International Corporation held in  
18 Boston was to be turned over to Associated's  
19 representative for their account.

20 Q. Who was Associated's representative?

21 A. I can't tell you the man actually but  
22 I do know that he was called a director by Mr.  
23 Owen. You see, technically, I believe Mr. Owen  
24 advanced the money to Associated, the \$75,000.00,  
25 and Associated's cheque was certified and went  
26 down to Boston. Technically, Associated has,  
27 or should own all of the security that came with  
28 the \$100,000.00 which would be the Arcan debenture  
29 for \$100,000.00 U.S. and the security attached  
30

1 which would be the 60% of the Bon Ami Corporation.

2  
3 ---Off the record discussion.

4  
5 BY MR. BAIRD:

6 253 Q. Mr. Morgan, on August 17th, 1964,  
7 Shiral Investments, or Albert Shulman paid  
8 Associated Canadian Holdings Limited \$80,000.00.  
9 The books indicate on December 1st 1964 Shiral  
10 Investments purchased 160,000 shares of Five  
11 Wheels Limited from Associated Canadian Holdings  
12 Limited for \$160,000.00. The cost payment of  
13 \$80,000.00 was applied to the shares purchased,  
14 leaving a balance owing by Mr. Albert Shulman of  
15 \$80,000.00. Where did Associated Canadian Holdings  
16 Limited obtain the 160,000 shares of Five Wheels  
17 Limited?

18 A. They got them from Alan Mannes, or one of  
19 his Associated companies.

20 259 Q. The books of Associated Canadian Holdings  
21 Limited indicate that they were purchased from  
22 Daylight, D-a-y-l-i-g-h-t, of Grand Bahamas.  
23 Do you know why?

24 A. Actually, the proper name is Dalite.  
25 There is no "y".

26 260 Q. I believe the Bahama one is spelled  
27 with a "y". Do the books of account show that  
28 the shares were purchased from Daylite of Grand  
29 Bahamas?

1 A. Daylite of Grand Bahamas, having done  
2 some work for Mannes' companies and it was an  
3 outside transaction, out of the country, it was  
4 probably on the basis of the \$100,000.00. Let's  
5 see -- this was a complicated transaction because  
6 of all it involved. It involved the Molly  
7 Corporation and the Toronto Dominion Bank.  
8 There was something there they sent up.

9  
10 ---Off the record discussion.

11  
12 BY MR. BAIRD:

13 261 Q. Who originally owned 200,000 shares of  
14 Five Wheels Limited?

15 A. Well, this is the 200,000 shares you  
16 are talking about?

17 262 Q. Yes, the shares 160,000 of which  
18 were eventually sold to Albert Shulman.

19 A. Alan Mannes, or his holding company.

20 263 Q. What was the name of his holding  
21 company?

22 A. Molly Corporation, or Pennsylvania  
23 Corporation which worked out of Scranton. These  
24 shares, those 200,000 shares were pooled shares  
25 along with equal amounts held by Shulman's holding  
26 company. According to the billing arrangement,  
27 they couldn't be sold without Shulman's consent  
28 so when Associated went to Shulman to get his  
29 consent, he wouldn't give it.



1 A. Daylite of Grand Bahamas, having done  
2 some work for Mannes' companies and it was an  
3 outside transaction, out of the country, it was  
4 probably on the basis of the \$100,000.00. Let's  
5 see -- this was a complicated transaction because  
6 of all it involved. It involved the Molly  
7 Corporation and the Toronto Dominion Bank.  
8 There was something there they sent up.

9  
10 ---Off the record discussion.

11  
12 BY MR. BAIRD:

13 261 Q. Who originally owned 200,000 shares of  
14 Five Wheels Limited?

15 A. Well, this is the 200,000 shares you  
16 are talking about?

17 262 Q. Yes, the shares 160,000 of which  
18 were eventually sold to Albert Shulman.

19 A. Alan Mannes, or his holding company.

20 263 Q. What was the name of his holding  
21 company?

22 A. Molly Corporation, or Pennsylvanian  
23 Corporation which worked out of Scranton. Those  
24 shares, those 200,000 shares were pooled shares  
25 along with equal amounts held by Shulman's holding  
26 company. According to the billing arrangement,  
27 they couldn't be sold without Shulman's consent  
28 so when Associated went to Shulman to get his  
29 consent, he wouldn't give it.  
30

PETER W. McHUGH  
SPECIAL EXAMINER  
TORONTO

1 264 Q. Why would Associated to go Shulman  
2 to obtain his consent? Did it not purchase  
3 shares at this stage of the explanation?

4 A. It was done almost concurrently.

5 265 Q. Was it proposed that Associated Canadian  
6 Holdings Limited would purchase those shares from  
7 Mr. Mannes?

8 A. Yes, it was proposed that those shares  
9 be sold by Molly Corporation to Associated by  
10 Mr. Mannes for \$200,000.00 purchase price.

11 266 Q. How did Daylite of Grand Bahamas come  
12 into the picture?

13 A. Daylite of Grand Bahamas, at the same  
14 time, had made an agreement with Mr. Mannes  
15 that those shares representing \$200,000.00,  
16 would be given to them in part payment of  
17 the advances that were made by Daylite to  
18 Mr. Mannes.

19 267 Q. Did Daylite of Grand Bahama receive  
20 anything else besides the 200,000 shares of  
21 Five Wheels Limited?

22 A. In settling the deal with Mr. Mannes,  
23 a package of some Alaska telephone stock, and  
24 American Bowling Corporation bonds, were  
25 included in the transaction along with 200,000  
26 escrowed shares of Five Wheels. Those assets  
27 and this stock, were of course worth zero and  
28 all of the value was attributed to the 200,000  
29 shares of escrowed stock of Five Wheels.  
30

1 263 Q. Did Daylite pay any cash for those shares?

2 A. Daylite paid \$200,000.00 cash for them.

3 269 Q. And then Associated Canadian Holdings  
4 paid Daylite for the shares? Is that correct?

5 A. That's correct.

6 270 Q. Did you ever tell Mr. Shulman that the  
7 shares were purchased for less than a dollar a  
8 share?

9 A. No.

10 271 Q. Did Mr. Shulman ask you when he agreed  
11 to buy the shares from Associated Canadian Holdings  
12 Limited the price at which Associated Canadian  
13 Holdings Limited purchased the shares?

14 A. The agreed on price to Mr. Shulman  
15 was \$150,000.00 for 150,000 shares. There was  
16 never any discussion for any less price than this.

17 272 Q. Was there any discussion as to the  
18 price at which Associated Canadian Holdings  
19 Limited acquired the shares?

20 A. No.

21 273 Q. Mr. Shulman has told me he authorized  
22 you to negotiate with Mr. Mannes for the purchase  
23 of the shares at 50 cents a share. Is that true?

24 A. He asked me to try and negotiate at  
25 the best price possible exactly, but as far  
26 as the 50 cents a share was concerned, it was  
27 not agreed upon and in any event, Associated  
28 was quite willing to retain the shares at the  
29 price we had given to Mr. Mannes but this was

1 not satisfactory to Mr. Shulman.  
2

3 ---Examination adjourned at 1:00 p.m.  
4

5 ---On resuming at 2:15 p.m.  
6

7 BY MR. BAIRD:

8 274 Q. Mr. Morgan, I would like to deal now  
9 with the question of the re-purchase of the  
10 shares of Commodore Business Machines which  
11 were originally sold to Associated Canadian  
12 Holdings Limited by the shareholders. Was  
13 there an agreement giving the original shareholders  
14 the right to re-purchase the shares of Commodore  
15 Business Machines which they had sold to Associated  
16 Canadian Holdings Limited?

17 A. I believe there was an agreement somewhere  
18 where the shareholders were given an option to  
19 buy them back at the same price they turned them  
20 in, or approximately \$3.55 a share.

21 275 Q. I would like to show you a photostatic  
22 copy of what purports to be an agreement between  
23 Associated Canadian Holdings Limited and Manfred  
24 Kapp, Estelle Kapp, Jack Traniel, Helen Traniel,  
25 Benjamin Silberpan, Regina Silberman, C. Powell  
26 Morgan, Mildred Morgan, and Harry Wagon. This  
27 agreement is dated July 1st 1963 and it is not  
28 signed. Can you tell me whether there was an  
29 agreement in the same form ever signed by the  
30

parties men found?

A. I was under the impression it was signed and I believe -- I am not 100% certain.

I think I exercised the option and paid the company for it. Does this bear out your record?

276 Q. The records do indicate that you exercised your option and paid certain moneys to the company. Mr. Tramiel and Mr. Kapp, however, stated they did not know of any such agreement to re-purchase the shares and were not parties to any agreement?

A. You mean that they didn't sign this?

277 Q. That there was no agreement, whether signed or unsigned to allow the shareholders to re-purchase the shares?

A. This does not agree with my understanding of the transaction.

278 Q. With whom did you have the agreement?

A. With the parties listed in the draft.

21 --EXHIBIT NO. 16: Photostatic copy of agreement between  
22 Associated Canadian Holdings and  
23 Mr. Kapp and others dated July 1st 1963.

24 BY MR. BAIRD:

279 Q. Do you have a signed copy of the agreement?

A. I don't know whether I do or not, but if I do I will forward it to you.

290 Q. Did you have any discussions with the  
This page generously brought to you by Gary Lake

1 persons referred to in this agreement?

2 A. The discussions were with Mr. Tramiel  
3 and Mr. Karp very definitely.

4 281 Q. There is a memorandum attached to the  
5 financial statement prepared by Wagman, Fruitman  
6 & Lando which reads as follows -- these are  
7 notes to the financial statement of Associated  
8 Canadian Holdings Limited which I will enter as  
9 Exhibit 17. It reads:

10 "The company has entered into an agree-  
11 ment dated July 1st 1963 whereby an  
12 option was given to re purchase 215,000  
13 shares Commodore Business Machines at  
14 \$3.50 a share the said option to expire  
15 June 30th, 1965. The company's portfolio  
16 includes those shares valued at \$3.50."

17 Is that your understanding of the fact.

18 A. Yes, that is my understanding.

19 282 Q. Mr. Morgan, you have stated that you  
20 exercised your right to redeem the shares. How  
21 did you do this?

22 A. By paying cash for the shares.

23  
24 ---EXHIBIT NO. 17: Financial statement of Associated  
25 Canadian Holdings Limited prepared by  
26 Wagman, Fruitman & Lando.

27 BY MR. BAIRD:

28 283 Q. How much money did you pay Associated  
29 Canadian Holdings Limited?  
30

1           A.           On the last cheque I have in my  
2 possession here, which is December 29th, 1964  
3 for \$128,019.50 -- that was, in my opinion, I  
4 believe, the balance owing to the company.

5 284       Q.           You are producing to me, an original  
6 certified cheque in the amount of \$128,019.50  
7 drawn by C.P. Morgan in favour of Associated  
8 Canadian Holdings Limited and marked "For deposit  
9 only to the credit of Associated Canadian Holdings  
10 Limited." I would enter that as Exhibit 13.

11 I would like a photostat copy of that.

12       A.           You can do the same with that.

13  
14 ---EXHIBIT NO. 13: Original certified cheque in the  
15 amount of \$128,019.50 dated December  
16 29th, 1964.

17           THE DEPONENT: I believe there was a  
18 transfer from my account at Barrett, Goodfellow  
19 to Associated Canadian Holdings Limited for  
20 whatever the difference was when the shares  
21 were delivered from their account to my account  
22 at Barrett, Goodfellow.

23  
24 BY MR. BAIRD:

25 285       Q.           What do you mean by that?

26       A.           In other words, I would give Barrett  
27 a direction to pay Associated Canadian Holdings  
28 Limited a flat amount of money based -- I thought  
29 it was \$3.55, but it could be \$3.50 a share at  
30

1 the time of transfer. In other words, transfer  
2 out of Associated Canadian Holdings Limited X  
3 number of shares to my account at \$3.50 a share.  
4 Are there any credits---

5  
6 ---Off the record discussion.

7  
8 BY MR. BAIRD:

9 286 Q. The books of account show a receipt  
10 on December 30th 1965 re H. Wagman \$99,750.00.  
11 This, according to my calculations, means he  
12 would have redeemed 28,500 at \$3.50?

13 A. That's right.

14 287 Q. Was that your understanding of the  
15 transaction?

16 A. Yes.

17 288 Q. The books indicate there was a receipt  
18 of \$128,019.50 which would indicate you had  
19 redeemed 36,577 shares at \$3.50. Is that correct?

20 A. That's correct.

21 289 Q. And then the books indicate a receipt  
22 from M. Morgan of \$52,500.00. This would  
23 indicate your wife had redeemed 15,000 shares.  
24 Is that correct?

25 A. Yes.

26 290 Q. What was the method by which you,  
27 your wife, and Mr. Wagman exercised your option  
28 to purchase shares at \$3.50 a share?

29 A. We paid cash by our own personal cheques  
30



1 to Associated Canadian Holdings Limited.

2 291 Q. Did you pay cash before the shares were  
3 delivered to Barrett, Goodfellow & Company and  
4 transferred to your account, or afterwards?

5 A. I thought it was concurrently.

6 292 Q. Mr. Morgan, I would like to show you  
7 a copy of letter dated November 20th 1964 which  
8 appears to have been written by Associated Canadian  
9 Holdings Limited to Barrett, Goodfellow & Company.  
10 Do you know whether such a letter was written?

11 A. Yes, this letter was written and was  
12 answered by Mr. Tramiel.

13  
14 ---EXHIBIT NO. 19: Copy letter dated November 20th 1964,  
15 from Associated to Barrett, Goodfellow.

16  
17 BY MR. BAIRD:

18 293 Q. Mr. Morgan, this letter is dated November  
19 20th 1964 and your cheque to Associated Canadian  
20 Holdings Limited does not appear to have been  
21 paid until November 29th 1964. Can you explain  
22 the reason or difference in time?

23 A. This was -- this credit for the amount  
24 of time that was allowed on the thing was in  
25 order to obtain the necessary clearance on the  
26 shares.

27 294 Q. What do you mean by that?

28 A. In other words, this was an account  
29 This page generously supplied by www.Lake  
receivable for the 30 day period, or whatever

1 period of time it was.

2 295 Q. So the shares were transferred into  
3 your name before you paid Associated Canadian  
4 Holdings Limited for the shares?

5 A. I would say there was a lapse of time.

6 296 Q. Did the same apply in respect to Mr.  
7 Wagnan? Was 40,000 shares transferred into the  
8 name of Mr. Wagnan?

9 A. No, there was a lapse of time there too.

10 297 Q. What is meant by the notation to H.  
11 Wagnan, "This is your authority to write same  
12 letter as above to Barrett, Goodfellow  
13 for another 40,000 shares."

14 Did Mr. Wagnan write a second letter to Barrett,  
15 Goodfellow, and to whom were the additional  
16 40,000 shares transferred?

17 A. This letter purports to be an authoriza-  
18 tion from Mr. Tramiel and I think those initials  
19 are Kapp's. I am not certain but I think they  
20 are. I know that initial is Jack Tramiel to  
21 cover the total of 30,000 shares, 40,000 at  
22 November 20th and 40,000 as at December 17th.

23 298 Q. To whom was the 30,000 shares transferred?

24 A. The 30,000 shares were delivered to my  
25 account.

26 299 Q. They were put in your account?

27 A. Yes, that's right, for the handling  
28 of the transaction.

29 300 Q. For the transfer of 30,000 shares the  
30

1 company, according to the option agreement, should  
2 have received \$250,000.00.

3 A. How much did they receive?

4 301 Q. On December 30th 1965, it shows a  
5 receipt of \$250,259.50. Can you explain the  
6 difference?

7 A. Was there an odd number of shares  
8 transferred?

9  
10 --Off the record discussion.

11  
12 BY MR. BAIRD:

13 302 Q. The receipt would indicate to me that  
14 30,077 shares were transferred into your name  
15 at that time. Would this be correct?

16 A. It is quite possible that this added  
17 number of shares were transferred. That letter  
18 might have called for an added lot, or even amount  
19 of 40,000. It is possible they might have  
20 transferred another 40,077.

21 303 Q. Did you exercise your right to purchase  
22 any further shares?

23 A. No.

24 304 Q. Was this the only transaction which  
25 involves---

26 A. Which involved Mrs. Morgan, and me, and  
27 Harry Wagon.

28 305 Q. It appears from this you did not  
29 exercise your right to purchase all the shares  
30

1 you could have purchased. Is that correct?

2 A I would have to check the records but  
3 from looking at those figures, it would seem so.

4 Q It appears originally you would have  
5 been entitled to buy 52,237 and in fact, you  
6 only purchased 36,577. Can you explain the reason  
7 why you did not exercise your right to purchase  
8 the remaining shares?

9 A I would have to check my records to  
10 say they weren't purchased but I believe the  
11 option did not expire until some time in late  
12 June of 1965.

13 Q Mr. Morgan, the books of account  
14 indicate there was \$182,000.00 received from  
15 Barrett, Goodfellow on February 19th 1965. Did  
16 you arrange for this money to be paid to  
17 Associated Canadian Holdings Limited by Barrett,  
18 Goodfellow & Company?

19 A Is that in return for how many shares?

20 Q There is no record of why it was paid  
21 to Associated Canadian Holdings Limited. If you  
22 divide this amount by \$3.50, you arrive at the  
23 answer of \$52,000.00?

24 A Well, I can't recall this transaction  
25 but I am certain the records of Goodfellow would  
26 show it whether or not it was delivered against  
27 payment.

28 Q Did you understand the fact to be  
29 Mr. Trembl and Mr. Rupp were exercising their  
30

1 rights to re-purchase the shares of Commodore  
2 Business Machines?

3 A. I was under the impression they were,  
4 yes.

5 310 Q. Why were 80,000 share referred to in  
6 Exhibit 19 all transferred into your name?

7 A. Because those were handled for Mrs.  
8 Morgan and Mr. Wagman by myself.

9 311 Q. Why did you handle Mr. Wagman's trans-  
10 action?

11 A. With his permission.

12 312 Q. What arrangements were made to handle  
13 Mr. Tramiel and Mr. Kapp and their wives' shares?

14 A. I did not have control of the Associated  
15 books, so I can't tell you.

16 313 Q. You don't know what the arrangements  
17 were?

18 A. No.

19 314 Q. On July 10th 1963, Associated Canadian  
20 Holdings Limited paid Aurora Leasing Corporation  
21 Limited \$29,200.00. This was applied against  
22 the indebtedness of Don Mills to Aurora Leasing  
23 Corporation. Were you aware that this transaction  
24 took place?

25 A. No, I wasn't.

26 315 Q. Did you authorize it?

27 A. No, I didn't.

28 316 Q. In January 1965, 15,000 shares of the  
29 Dale Estate were sold to Mr. Calvert at \$1.50 a

1 share. Were you aware of this transaction?

2 A. Yes. It was in connection with the  
3 acquisition of the debenture of Associated, or  
4 at least, of the Dale Estate, and it was mutually  
5 agreed that Annett & Company, and the holders of  
6 the Dale debenture, that certain division of the  
7 debenture was to be made and Mr. Calvert who  
8 then became the President of Calvert-Dale  
9 Limited, which was an amalgamation of the Dale  
10 Estate and Calvert Florists in Brampton and this  
11 was arranged by Annett & Company and each holder  
12 gave up a proportionate number of shares and/or  
13 debentures of the company to Mr. Calvert.

14 317 Q. In July and August 1964, Associated  
15 Canadian Holdings Limited paid \$115,000.00 to  
16 Trans Commercial Acceptance. This money seems  
17 to have been applied to the share capital of  
18 Trans Commercial Acceptance Corporation.  
19 Subsequently, the shares of Trans Commercial  
20 Acceptance were sold to Hugo Oppenheimbank  
21 (Canada) Limited. Were you aware of this  
22 transaction?

23 A. No, I was not.

24 318 Q. Did you authorize it?

25 A. I did not.

26 319 Q. Were you consulted in determining the  
27 value of the shares of Trans Commercial  
28 Acceptance Limited?

29 A. I was not.

1 320 Q. On March 4th 1965, Associated Canadian  
2 Holdings Limited borrowed 4,000 shares of Atlantic  
3 Acceptance Corporation Limited and pledged them  
4 with Barrett, Goodfellow & Company. Barrett,  
5 Goodfellow & Company then advanced \$100,000.00  
6 cash to Associated Canadian Holdings Limited.  
7 Were you aware of this transaction?

8 A. They did what? They bought 4,000---

9 321 Q. 4,000 shares of Atlantic Acceptance  
10 Corporation Limited were pledged with Barrett,  
11 Goodfellow by Associated Canadian Holdings  
12 Limited.

13 A. Where did they get them? Did they  
14 buy them on the open market?

15 322 Q. I understood they were part of the  
16 shares of Atlantic Acceptance Corporation Limited  
17 owned by the Hugo Oppenheimbank in Berlin.

18 A. I know nothing of this transaction,  
19 or this loan.

20 323 Q. The \$100,000.00 was received from  
21 Barrett, Goodfellow & Company and I understand  
22 it was used for the investments made by  
23 Associated Canadian Holdings Limited to L.B.H.  
24 Management Limited. Were you aware of that?

25 A. I was aware that \$100,000.00 was put  
26 into L.B.H. Management Company in Grand Bahama,  
27 but I was of the opinion that this was a personal  
28 investment of Mr. Traniel. In fact, Mr. Traniel  
29 gave a personal cheque to the bank in the  
30

1 Bahamas for this investment and this cheque  
2 was returned n.s.f. The first time I found  
3 out it was an investment of Associated was after  
4 Atlantic's default and Mr. Bidell had told me  
5 that this cheque had been returned and had been  
6 replaced by a cheque of Associated Canadian  
7 Holdings.

8 324 Q. On March 2nd, 1965, Associated Canadian  
9 Holdings Limited issued a cheque to Jack Tramiel  
10 for \$100,000.00. Did you authorize this cheque  
11 to be issued?

12 A. I did not.

13 325 Q. Were you aware of the fact the cheque  
14 was being issued?

15 A. I was not aware of it.

16 326 Q. This cheque appears to be signed by  
17 Mr. Kapp and Mr. Wagnan. Did you give Mr.  
18 Wagnan any instructions regarding the issuing  
19 of this cheque?

20 A. Mr. Tramiel and Mr. Kapp ran Associated  
21 Canadian Holdings Limited, authorized the  
22 issuance and signatures on all the cheques.

23 327 Q. When I questioned Mr. Tramiel concerning  
24 this transaction, he stated that the \$100,000.00  
25 cheque which I have previously referred to dated  
26 March 2nd 1965, was issued to him to pay it in  
27 for shares in the Lucayan Beach Hotel Management  
28 Corporation. I then asked

29 "Why wasn't the cheque issued directly  
30



1 to L.B.H. Management Limited by  
2 Associated Canadian Holdings Limited?"

3 His answer was,

4 "I believe the only reason would be  
5 because through the Corporation directly  
6 to do it as fast because Mr. Morgan  
7 wanted it done immediately. It would  
8 involve much more paper work."

9 Is that true?

10 A. I can't say where it would make any  
11 more paper work than to have done what they did.  
12 I would think it would be more paper work to  
13 issue a cheque to him personally.

14 328 Q. My next question was

15 "In what way? I don't understand why  
16 it would involve more paper work for  
17 them to issue a cheque to you and you  
18 issue a cheque to L.B.H. when in fact  
19 a cheque could be issued directly to  
20 L.B.H. Management Corporation from  
21 Associated Canadian Holdings?"

22 Then I carried on and asked him

23 "Who authorized this transaction?

24 A. Mr. Morgan."

25 A. I have already answered that question.

26  
27 ---Off the record discussion.  
28  
29  
30

1 BY MR. BAIRD:

2 329 Q. Did you understand the \$100,000.00 to  
3 be a personal loan by Associated Canadian Holdings  
4 Limited to Mr. Jack Tramiel or did you understand  
5 that Associated Canadian Holdings Limited were  
6 purchasing 55,000 shares of the Lucayan Beach  
7 Hotel, in L.B.H. Management Limited?

8 A. I did not have any knowledge of the  
9 transaction. Perhaps the Clarkson Company might  
10 give you the shareholdings of L.B.H. Management  
11 whether or not they were issued in Mr. Tramiel's  
12 name, or in Associated Canadian Holdings' name.  
13 I think they were just advanced myself. I think  
14 it was just an advance to the company on an open  
15 loan.

16 330 Q. And you understand the advance to have  
17 been made by Mr. Tramiel personally to the company  
18 and not by Associated Canadian Holdings?

19 A. That's right, a personal loan to L.B.H.  
20 Management Limited.

21 331 Q. How was Associated Canadian Holdings  
22 Limited involved in the financing of the Lucayan  
23 Beach Hotel Company Limited?

24 A. The Associated Canadian Holdings Limited  
25 borrowed, I think, \$1,200,000.00 from British  
26 Mortgage & Trust and in return for 200,000 shares  
27 of Lucayan Beach stock in the form of temporary  
28 financing and later those shares were re-offered  
29 to the public under the Prospectus.

1 ---Off the record discussion.

2

3 BY MR. BAIRD:

4 332

Q. The books of account indicate that  
\$38,500.00 interest was paid to British Mortgage  
& Trust Company. Was this your understanding?

7 A. This was correct.

8 333

Q. Who was to pay the interest?

9 A. The hotel company.

10 334

Q. And on July 15th, 1964 \$50,000.00 was  
paid to Associated Canadian Holdings Limited  
by Daylite Grand Bahamas?

13 A. This was charged to the hotel company  
14 and remitted to Associated to cover their  
15 interest and the last of them sold and the shares  
16 were offered to the public at, I think, a cent  
17 a share.

18 335

Q. Barrett, Goodfellow & Company appear to  
19 have paid Associated Canadian Holdings Limited  
20 \$1,098,000.00 being a loss of \$2,000.00?

21 A. Which is the one cent a share. That  
22 is a transfer tax.

23 336

Q. There appears to be a profit in the  
24 transaction of \$10,000.00?

25 A. That is correct.

26 337

Q. Was that profit what Associated  
27 Canadian Holdings Limited were entitled to for  
28 accommodating the Lucayan Beach Hotel Company  
29 Limited?

30

1 A. That is correct.

2 339 Q. Aurora Leasing Corporation Limited,  
3 the same time, paid the Canadian Imperial Bank  
4 of Commerce, \$1,210,000.00 -- that is on July  
5 15th 1964 and the notation on the back reads  
6 Draft Barrett, Goodfellow & Company?

7 A. That is the purchase of -- that is not  
8 at the same time as the other transaction.

9 339 Q. Yes, it appears to have been Barrett,  
10 Goodfellow's payment to Associated Canadian  
11 Holdings Limited and appears to have been made  
12 on July 15th 1964, one day later. Did Aurora  
13 Leasing Corporation Limited purchase those  
14 shares from Barrett, Goodfellow & Company?

15 A. Daylite of Grand Bahama purchased  
16 shares at \$6.05. Those were the public offering.

17 340 Q. And how was Aurora Leasing Corporation  
18 Limited involved in that transaction?

19 A. I think the transaction was just a  
20 matter of accommodation at that time.

21 341 Q. Did Aurora Leasing Corporation Limited  
22 loan Daylite of Grand Bahama the money for  
23 their purchase of their shares from Barrett,  
24 Goodfellow & Company?

25 A. I am not certain but I think they  
26 did at that particular time.

27 342 Q. There is a letter in existence which  
28 I don't have at the present time, which appears  
29 to be a letter from you to Associated Canadian  
30

Holdings Limited dated May 20th 1964 advising that Associated Canadian Holdings Limited had guaranteed the loan by Trans World Mortgage to Daylite Grand Bahama.

A. To who?

Q. Trans World Mortgage, amount not stated. Can you tell me anything about that transaction?

A. I am sorry, Mr. Baird, I don't recognize the name.

Q. Who was Daylite Grand Bahama?

A. Daylite Grand Bahama was a subsidiary of Dalite (Toronto).

Q. Dalite (Canada) Limited?

A. Dalite (Canada) Limited

Q. Did you own any shares in Daylite Grand Bahama?

A. No, I didn't.

Q. Did you own any shares in Dalite (Canada) Limited?

A. No, I didn't.

Q. Why were you accommodating Daylite Grand Bahamas?

A. Well, because I was interested in the financing from the point of view of Commodore Sales Acceptance who had advanced substantial sums to Dalite (Toronto) who did all the construction work on the employee housing and the Marina and other items in the Bahamas.

1 349 Q. Mr. Morgan, on April 29th, 1964  
2 Associated Canadian Holdings Limited purchased  
3 from Commodore Business Machines, a 7% debenture  
4 par value of \$250,000.00. I understand that  
5 along with the debenture, there were share  
6 warrants issued. There were 50,000 share warrants  
7 issued. Were you aware of that?

8 A. 50,000 warrants?

9 350 Q. On the \$250,000.00 debenture?

10 A. "B" warrants or something. I am not  
11 sure of the number, but I do know there were  
12 certain warrants issued, yes.

13  
14 ---Off the record discussion.

15

16 BY MR. BAIRD:

17 351 Q. I have been advised, Mr. Morgan, there  
18 were \$50,000.00 worth of share warrants issued  
19 with the \$250,000.00 debenture. Of those, there  
20 is a record of 13,750 warrants being given to  
21 British Mortgage & Trust Company in consideration  
22 for their loan. Can you tell me what happened  
23 to the remainder of the share warrants totalling  
24 31,250?

25 A. They are and should be the property of  
26 Associated Canadian Holdings Limited as of now.

27

28 -- Off the record discussion.

29

30

1 BY MR. BAIRD:

2 352 Q. Who negotiated the transaction with  
3 British Mortgage & Trust Company concerning the  
4 loan to Associated Canadian Holdings Limited?

5 A. Mr. Tramial. At the same time, he  
6 negotiated the loan on behalf of N.G.K. Investments.

7 353 Q. Did you have any negotiations with  
8 Mr. Gregory of British Mortgage & Trust Company  
9 concerning the loan?

10 A. Yes. Mr. Gregory consulted me about  
11 the total overall advance and I was aware of  
12 negotiations taking place between Mr. Tramial  
13 and himself.

14 354 Q. Mr. Morgan, I would like to show you  
15 a schedule prepared by Mr. Lando. I would  
16 enter this as Exhibit 20. This schedule, I  
17 am told by Mr. Lando, represents the location  
18 of shares owned by Associated Canadian Holdings  
19 Limited as of December 31st, 1964. There are  
20 certain items in this schedule I wish to ask  
21 you about. Can you tell me why 13,000 shares  
22 would be in the possession of Eastern and  
23 Chartered Trust Company?

24 A. I believe that this number of shares  
25 were there as collateral to a loan to Associated  
26 -- that is a call loan to Associated which was  
27 negotiated by Mr. Tramial.

28 355 Q. There is no record on the books of  
29 account of Associated Canadian Holdings Limited  
30

1 of their being indebted to Eastern and Chartered  
2 Trust?

3 A. I know there was a loan there. In  
4 whose name it was taken out, I do not know.

5 356 Q. The next item is H. Wagman for S.K.  
6 which, I understand, means safekeeping re Kapp.  
7 The amount is 21,500. Do you know why those  
8 shares were being held by Mr. Wagman?

9 A. No, I don't.

10 357 Q. Did you know Mr. Wagman was holding  
11 the shares?

12 A. No, I can't answer that properly. I  
13 thought Mr. Wagman ---

14 358 Q. Mr. Wagman has not been able to tell  
15 me why he held shares, or what happened to them.  
16 The next item is Adelaide Acceptance. Do you  
17 know why 25,000 shares were in the possession of  
18 Adelaide Acceptance Limited?

19 A. Those were collateral to a loan for  
20 Valley Farm and they are an accommodation to  
21 Valley Farm.

22 359 Q. Did Mr. Tramiel authorize the pledging  
23 of the shares owned by Associated Canadian  
24 Holdings Limited to Adelaide Acceptance Limited  
25 for a loan to Valley Farm & Enterprises Limited?

26 A. This had been in existence for some  
27 period of time prior to the taking over of  
28 Associated in its full management since by  
29 Mr. Tramiel and he was, I believe, aware they  
30



1 were there.

2 360 Q. Were those shares pledged with  
3 Adelaide Acceptance Corporation Limited prior  
4 to the incorporation of Associated Canadian  
5 Holdings Limited?

6 A. I think Mr. Poultney can give you that  
7 information because this is of Valley Farms.  
8 We talked about that yesterday.

9 361 Q. The next item is the Canadian Imperial  
10 Bank of Commerce 49,349. Can you tell me why  
11 the shares were lodged with the Canadian Imperial  
12 Bank of Commerce?

13 A. This was in connection with a loan.  
14 They belong to Associated.

15 362 Q. Next item is Mercantile Bank 22,700  
16 Do you know why those shares were lodged with  
17 the Mercantile Bank?

18 A. They were there as collateral to a  
19 loan by Associated.

20 363 Q. I understand at this time there was  
21 no money owing at this time to Mercantile Bank  
22 but rather the loan was given to Mr. Tremblay  
23 personally. Were you aware of this?

24 A. No, but I knew there was a time when  
25 he was indebted to the bank personally and  
26 those shares were made to him as an accommodation.

27  
28 **EXHIBIT NO. 201** Schedule prepared by Mr. Lando  
29 representing location of shares owned  
30 by Associated Canadian Holdings as of  
December 31st, 1964.

1 BY MR. DALED:

2 364 Q. The next item here is N.G.K. 17,667

3 A. I can't answer that question but the  
4 records of N.G.K. should very definitely  
5 show it.

6 365 Q. Mr. Morgan, I would like to show you  
7 and enter as Exhibit 21, a letter on the  
8 letterhead of N.G.K. dated January 5th, 1965.  
9 Was this letter signed by you on behalf of  
10 N.G.K. Investments Limited?

11 A. I signed this letter and if this were  
12 so, why it was a fact.

13 366 Q. Did N.G.K. Investments Limited hold  
14 17,667 shares of Commodore Business Machines  
15 which belonged to Associated Canadian Holdings  
16 Limited on January 5th, 1965?

17 A. I would say, yes.

18 367 Q. Where were they?

19 A. It was probably in N.G.K.'s box at  
20 that time. This was for balance sheet purposes.

21 368 Q. I am advised that N.G.K. had pledged  
22 17,667 shares of Commodore Business Machines  
23 Limited with British Mortgage & Trust Company  
24 as security for a loan. Were you aware of this?

25 A. Is that in connection with the 250,000  
26 shares?

27 369 Q. Yes?

28 A. \$250,000.00. I knew N.G.K. didn't  
29 have shares that did not, in other words, that  
30

1 belonged to Associated, had not accounted for  
2 them. Those shares were loaned by Associated  
3 to N.G.K. for collateral purposes in connection  
4 with the borrowing from British Mortgage & Trust  
5 Company of the \$250,000.00 to purchase series "C"  
6 debentures.

7 370 Q. Who arranged this transaction?

8 A. It was between Mr. Tramiel and myself.

9 371 Q. Mr. Tramiel approved the pledging of  
10 the shares in that fashion?

11 A. Right.

12  
13 ---EXHIBIT NO. 21: Letter from N.G.K. dated January 5th  
14 1965.

15  
16 BY MR. BAIRD:

17 372 Q. Then the item C.P.M., which I understand  
18 represents you, Mr. Morgan, 6900 shares. Did you  
19 hold 6900 shares belonging to Associated Canadian  
20 Holdings Limited as of December 31st, 1964?

21 A This item was in dispute and it  
22 represented a reconciliation over all of the  
23 transactions and I believe on that under those  
24 slips of paper once before, it had been marked  
25 as H. Wagon in trust, a difference of some  
26 5800 shares. In the multiplicity of transactions,  
27 there was a discrepancy of those 6900 shares and  
28 we could never find where they had gone to. We  
29 were only out 5814 shares at that particular time,  
30

1 and this was 6900.

2 373

Q. You are referring to Exhibit Number  
3 2, and there is a reconciliation on the last  
4 page which shows 5,314 shares not accounted for  
5 and the notation is to be charged H. Wagman in  
6 trust. What does that mean?

7 A. It meant that all of the shares from  
8 the time of their original issue through escrow,  
9 were either in the names of individuals and they  
10 were in Solomon's office, and where they had  
11 been switched from one company into another, or  
12 one person to another person, there was a  
13 discrepancy of 5,314 shares and the same thing,  
14 at December, this had crept up to 6900 and Mr.  
15 Lando charged it to my investigation -- that is  
16 C.P.M. represents I was investigating the  
17 whereabouts of those shares.

18 374

Q. But you don't have them in your possession?

19 A. No.

20 375

Q. And your wife doesn't have them?

21 A. No, we don't.

22 376

Q. Mr. Morgan, B.M. & T., I assume,  
23 represents British Mortgage & Trust Company  
24 42,725 shares. Are those the 42,725 shares  
25 we have previously discussed?

26 A. Exactly. They are in connection with  
27 the series "B" debentures.

28 377

Q. 5,000 shares of Five Wheels Limited  
29 were delivered to Mr. Manfred Kapp by Associated  
30

1 Canadian Holdings Limited, I believe, in the fall  
2 of 1964. Do you know why this was done?

3 A. I do not.

4 378 Q. Did you authorize it?

5 A. No.

6 379 Q. On July 10th, 1963, Associated Canadian  
7 Holdings Limited took over the position of Dallas  
8 Holdings Limited in Commodore Business Machines'  
9 shares, being 64,070 shares. Did you arrange  
10 for this to be done?

11 A. Yes.

12 380 Q. On July 10th 1963, Associated Canadian  
13 Holdings Limited took over the position of  
14 Valley Farm & Enterprises Limited in Commodore  
15 Business Machines' shares being 109,413 shares.  
16 Did you arrange for this to be done?

17 A. I wanted to add to the other one up  
18 here, that I did it in consort with Mr. Tramiel.  
19 The same answer.

20 381 Q. There is an entry in the books H.W.  
21 in trust. We previously discussed this. There  
22 was a loan made on July 2nd 1963 when Associated  
23 Canadian Holdings Limited bought 9,503 shares of  
24 Commodore Business Machines for \$14,729.00.  
25 The cheque in repayment of this loan of February  
26 19th 1965 was deposited in the account of  
27 Chartered Management Consultants Limited. Can  
28 you explain this transaction?

29 A. In July?

1 Commerce?

2 A. I was one of them.

3 386 Q. Did you pay off the loan?

4 A. No, I didn't pay it off.

5 387 Q. Do you know who did?

6 A. I think it was Mr. Tramiel but I am  
7 not certain.

8 388 Q. Who were the other guarantors?

9 A. Mr. Wagman, and Mr. Kapp, and Mr.  
10 Tramiel.

11 389 Q. I understand the Canadian Imperial  
12 Bank of Commerce transferred 23,249 shares of  
13 Commodore Business Machines to Guarantors who  
14 paid off the loan. Were you aware of this?

15 A. I knew he had transferred some shares  
16 but I did not know the amount.

17  
18 ---Off the record discussion.

19  
20 MR. BAIRD: That's all.

21  
22 - - -

23

24

25

26

27

28

I hereby certify the foregoing to be  
the examination of CAMPBELL POWELL MORGAN, under Section  
121 of the Bankruptcy Act, taken in shorthand before me  
on the 26th day of January, 1966.

Certified correct:

*Jean Pert*

*P. W. McHugh*

Chartered Shorthand Reporter

SPECIAL EXAMINER





ROYAL COMMISSION

ON  
ATLANTIC ACCEPTANCE CORPORATION LIMITED

EXHIBIT No. ....

PER..... REGISTRAR..... DATE.....

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